

# THE WORLD CO-OPERATIVE MOVEMENT

*by* •

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## INTRODUCTION

THE word "co-operative" suffers from having two meanings. In one sense it is something as vague as "working together," or even, in modern usage, "ready to help." In the other it is the precise, in many countries the legal, definition of a particular kind of business organisation. But the business organisations which claim this title in the world to-day are of a bewildering variety—the largest firm of wholesale grocers and flour millers in the British Isles, a little group of African village women collecting palm kernels in the wilds of Nigeria, a crew of Icelandic fishermen putting to sea in their trawler, careful French farmers insuring their cattle against loss by accident or disease, civil servants in war-devastated cities rebuilding their bombed homes, Canadian farmers getting half the wheat of the prairies to market, Serbian peasants taking their sick to hospital, Malayan clerks running a bank, Russian tailoresses making army uniforms, Czech farmers wiring their houses and barns for electric light. What is there that is common to all these enterprises? Fundamentally, no doubt, the ideas of helpfulness and working together which belong to the non-technical use of the word. There is, however, something more precise which distinguishes co-operative from other business activities, something which belongs partly to ends and partly to means.

Writing in 1908, Dr. C. R. Fay<sup>1</sup> defined a co-operative society as: "an association for the purposes of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership share in its rewards in proportion to the degree in which they make use of their association." It is a good definition, though "trading" is too narrow a term to cover all the activities which can be carried on co-operatively, and "the weak" has to be accepted comparatively, acknowledging that even those who, in Ireland, are called "strong farmers," are feeble indeed compared with Imperial Chemicals or the Standard Oil Company.

<sup>1</sup> *Co-operation at Home and Abroad*, by C. R. Fay, 1908.

A later writer,<sup>1</sup> seeking the common element in all co-operative enterprises, has said that "they are associations of *persons*, small producers or consumers, who have come together *voluntarily* to achieve some *common purpose* by a *reciprocal exchange of services* through a *collective economic enterprise* working at their common risk and with resources to which all contribute." In this, as in the earlier definition, there are a number of ideas, the ideas of freedom, of democracy, of mutual responsibility in economic life, the idea of an ethical approach to that life.

Our age is one in which ideas concerning the right, as well as the expedient, conduct of economic life are held with religious intensity, an age, also, in which these ideas, together with the impact of great technical changes, are bringing about very rapid and widespread changes in the economic structure itself. It is natural that many readers who are interested in this process should ask at an early stage where the co-operative movement stands in the flux of ideology and expedient which constitutes the attempt of man to get a living in the middle of the twentieth century. It has been said that co-operation is only a specialised part of the system of private enterprise and private capitalism. It has also, and more often, been claimed as a form of Socialism, a partial anticipation of the full Socialist society, "a fragment of a better order embedded in an imperfect world." It has been described, less ambitiously, as the defence of the community against the unchecked power of the individual capitalist or, by an inversion of the same idea, as the defence of the individual against the omnipotence of the State in economic affairs. Which of these views comes nearest to the truth can only be determined on a basis of knowledge, knowledge of the history of the movement, of the ideas, past and present, of those taking part in it, and of the forms which it has assumed to-day in all the countries and branches of human activity in which it has found a place. With such a description of the movement in mind, it will be possible also to assess the actual importance of the co-operative movement in comparison with other forms of economic activity, and to make some guess as to the part it will play in the future.

<sup>1</sup> Dr. G. Mladenatz, *Histoire des Doctrines Coopératives*, 1933.

## CHAPTER I

### THE HISTORY OF AN IDEA

THE practice of mutual help in the business of getting a living is very ancient. Agricultural communities in particular have from the earliest times laboured together at the harvest or appointed one of their number as herdsman to take to pasture sheep or cattle belonging to a number of families. They have gone further than this. Wherever, in ancient Mesopotamia or mediæval Holland, farming depended upon bringing water in or keeping it away, an organised system of co-operation became necessary in order that dykes and drains might be kept in repair, sluice gates opened only at the proper time and neither too much nor too little water turned on to the lands of any one farmer. Love and irrigation, it has been said, are the principal causes of homicide in most ages and climates, and it is largely due to co-operation if one at least of these causes has ceased to operate in civilised countries. Co-operation of a less specialised kind has been the element in holding rural society together, especially in Slav countries where the Russian *mir* or the Serbian *zadruga*, based on kinship as well as neighbourhood, was both an economic and a social unit. Even co-operation for more strictly business purposes is very ancient. In the French and Swiss Alps, whither the cattle from the valleys were and are driven to summer pastures remote from the buyer of liquid milk, it has, at least since the Middle Ages, been the custom to make cheese; and since good cheese should be made in bulk and from milk no more than a few hours old, this cheese has been made daily from the mingled milk of all the cows of a village. Later in the autumn, when the ripened cheeses were ready for sale, they or their value would be divided among the villagers in proportion to the number of cows owned by each.

Ancient examples of urban co-operation are not so clearly known, although the great cities of Greek and Roman times had their burial clubs and mutual insurance societies, and many workers' guilds, including the Russian *artels*, which persisted until modern times, and were much more like modern

producers' co-operative societies than modern trade unions. All this, however, is not to say more than that association in work as well as play is natural to man, and that at a very early stage, mutual aid had extended beyond the family group and taken on an organised and fairly permanent form.

But modern co-operation is not, except perhaps in idea, a continuation of these ancient forms. On the contrary, it arose just at that point in history when the ideas of mutual aid and of an ordered, regulated economy, in which each individual had his duties and his claims, were at their weakest, so that economic life was given up to unchecked competitive individualism. By the middle of the eighteenth century the opening up of the whole world to travel, colonisation and exploitation, the accumulation of wealth in the hands of those who used it to produce more wealth rather than to squander in war or luxury, the elaboration of new techniques in the handling of men and materials, all these had generated a pressure which the old framework of controlled and static economy could not hold. The framework burst, and the new energy flooded onwards to make the industrial revolution, the agricultural revolution, and a long series of changes in human conditions and human relations which is still uncompleted.

The effect of almost any rapid and sweeping change is to bring acute suffering to a number of people. Those who cannot ride the wave are overwhelmed by it. The social, economic and technical changes of the late eighteenth and early nineteenth centuries ultimately increased the real wealth of the world, raised the yield of crops and animals, multiplied the output of boots and clothing, pots and pans, and added to the size and comfort of ordinary houses. But the first effect was that multitudes of men and women found themselves working desperately long hours in miserable conditions for inadequate wages, or starving on poor relief, when an uncomprehended period of unemployment set in. They lived in cramped, unwholesome quarters, ill-nourished on food that was at once costly and adulterated. They were unable to exercise the inherent human faculties of choice and will and responsibility in their daily work. Meantime, multitudes of peasant farmers, whose grandfathers had memories of modest prosperity, were either removed bodily to make room for the great estate,

served by ill-paid labour, or found their primitive methods and slender resources quite unequal to competition with the produce of virgin soil and unlimited acres in the new world. The overseas pioneer himself became aware of the isolation which left him helpless in the hands of the great mercantile powers, the produce exchanges and shipping companies, the oil and chemical trusts which sat astride his lines of communication with the outer world.

The notion that they could themselves do something, first to mitigate and then to alter their conditions, did not come to all these groups at the same time, nor was what came to be known as co-operation the only line of advance. The industrial workers, and to some extent the hired agricultural labourers, found after long and painful struggles an effective means of defence in the trade union, which did not alter the structure of capitalist economy, but in course of time enabled the worker to secure for himself a larger material share and a status of greater dignity and freedom in it. Others worked on political lines for the parliamentary enfranchisement of the workers and for legislation safeguarding their rights and protecting their interests. Others retreated into the life of religious sects and a kingdom not of this world.

The movement towards co-operation sprang from two sources, the practical expedient and the dream. These two were not always or even frequently the creation of the same individual. Neither would have got far without the other. The dream of a more perfect human community goes back a long way in human history, at least as far as Plato, but it has usually been conceived as a complete state, self-sufficient in politics and law, as well as in economics. As such it has passed into modern Socialist thought. The first notion of a self-supporting community, within a state, of which the members would live together in amity, substituting co-operation for competition in the business of getting a living, was probably the monastic idea of the early Middle Ages, especially the Benedictine communities with their firm basis in agriculture, supplemented by all the arts and industries which made up mediæval economy. But these were communities of a special kind. Neither the rule of celibacy nor the other forms of monastic discipline were for mankind in general. The idea of

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an economic community made up of normal families had to wait till after the Reformation, and was first formulated, significantly, in Protestant England in the seventeenth century, where industrial change and progress, contact with new forms of society in distant lands, and ferment of political and religious ideas all existed together.

P. C. Plockboy, a Dutchman living in England, published in 1659 a pamphlet setting out a scheme for the formation of economic associations of agriculturists, artisans, seamen and professional men, who would all contribute capital and work to the undertaking, while retaining the right to withdraw and take their capital with them if they so desired. The products of the farm would be exchanged within the group for the products of industry and any profits would be distributed among the members. Some years later, in 1695, the Quaker, John Bellers, published his *Proposals for Raising a Colledge of Industry of all Usefull Trades and Husbandry*. This took up and expanded the ideas of Plockboy. The College of Industry was to bring producer and consumer, agriculturist and artisan, into a single organisation, but it was also to sell on the market, and the profits of such sales were to be available to pay the interest on capital which it was assumed must come from outside the group. The germs of a good many co-operative ideas are to be found in these schemes: the combination of self-help and mutual aid; a voluntary, democratic and equalitarian association for economic purposes; direct relations between producers and consumers and the elimination of the middleman.

They had, however, little practical effect. Plockboy and some of his friends attempted to put their ideas into practice in America, but the Government frowned upon the enterprise and it was suppressed. By the third quarter of the eighteenth century there were groups of workers, among the weavers of Scotland and the arsenal workers in the naval dockyards of Chatham and Woolwich, who were distributing oatmeal or running their own flour mills. Little is known of these enterprises, but it is doubtful if they owe anything to the writing of two obscure thinkers of the previous century.

The works of Bellers did, however, come into the hands of Robert Owen (1771-1858), who is generally regarded as the

founder of the modern co-operative movement, though only after he had developed his own ideas. It is noteworthy that the men who have supplied ideas to the co-operative movement have often been untypical of those who form its membership, sit on its committees or serve across its counters. Owen was the son of a small shopkeeper in Mid-Wales. His early life was an American "success story" of the most obvious kind. Born in 1771, he was at the age of nine apprenticed to a Lincolnshire draper. At fourteen he was an assistant in a mercer's shop on old London Bridge, at nineteen he was managing a Manchester cotton mill, and at twenty-one he was partner in a group of mills in Scotland. At this point he began to diverge from the settled type of self-made man. "I soon observed," he wrote, "with what care lifeless machines are treated and with what neglect and contempt machines which are alive." Would not these living machines, so much more wonderfully constructed, respond even better to good treatment than the most carefully tended looms and spindles? Owen, to the horror of his fellow manufacturers, reduced the daily hours of labour from seventeen to ten, refused to employ children under ten years old, and provided decent houses, education and food at reasonable prices for his employees. To the general astonishment of his rivals, he continued to make money.

Owen's model factories at New Lanark were, with their village of employees, a good deal of a closed world, and it was natural that Owen, with his own success before his eyes, and perhaps Bellers' tract on his desk, should look to the development of a sound economic and social life through self-contained and virtually self-sufficient communities or colonies. He went further, and used his wealth and influence to found such colonies in North America, Mexico, England and Ireland. But Owen, a man of great ability, had been, more, perhaps, than he was aware, a dictator in New Lanark, and New Lanark, making cotton when cotton was booming, had a sound commercial basis. Experience there was not really relevant to colonies of amateurs attempting to create a self-sufficient life remote from the general economy of the age. None of them succeeded for long. Lack of capital, agricultural or industrial inexperience, the difficulty which even enthusiasts, perhaps particularly enthusiasts, find in living together, broke

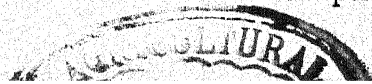
them all sooner or later. The most successful was a farming community at Ralahine in Co. Clare, Ireland. A local landlord had been persuaded by the teaching of Owen to submit his estates and tenants to the experiment and had found in E. T. Craig a man of humanity and capacity to run it. The colony enjoyed a few years of remarkable success and a district notorious for crushing poverty and agrarian crime was astonishingly converted to order, goodwill and prosperity. But the owner had no stable interest in the experiment he had made possible. He lost his fortune at the gambling table and fled to France. His property was sold and the colony dispossessed.

But Owen was never discouraged. He had anticipated Marx in concluding that economic value resided in the human labour, manual or mental, embodied in the article produced. Seeking, as always, to put his theories into immediate practice, Owen initiated, in 1832, in the Grays Inn Road, London, the first "Labour Exchange." This had nothing in common with the modern institutions of that name, but was more in the nature of a continuous "bring and buy" bazaar at which all articles were exchanged against "Labour Notes" representing an estimate of the value of the labour which had gone to their production. Once again the practical experiment, though successful for a time, ultimately failed. Perhaps the volume and variety of goods for sale was too limited to carry successfully the new currency of Labour Notes; perhaps supplies were unbalanced so that unsaleable goods accumulated while necessities were in demand which could not be supplied; even more, perhaps, the trades union collapse of the thirties took the heart out of the movement. After two years the experiment was abandoned.

But if Owen never, after the early years at New Lanark, achieved any lasting practical results, his influence was widespread and enduring. He wrote a number of books, *Essays on the Formation of Character*, *A Report to the County of Lanark* and others, and they had life and vigour, if not a finished style. He founded a succession of short-lived journals. He was an indefatigable lecturer and pamphleteer. He was a propagandist in season and out of season (Macaulay found him attempting to convert an Irish M.P. at a fancy dress ball). He was a founder of organisations and societies whom nothing

could quell. His Association of All Classes of All Nations, founded soon after the collapse of the Labour Exchange, aimed at a central co-operative institution with branches in all parts of the globe and at propaganda carried on by way of meetings, congresses, missionaries, cheap publications, the exchange of products without private profit and ultimately the formation of Communities of United Interests. The Continent, where Owen travelled fairly widely, was not ripe for anything of the kind, and even in England the membership was small. But the seed had been prodigally scattered and Owen could afford to see much of it fall on stony ground. Much more was to germinate, slowly indeed, but very fruitfully in the end. One unique service he performed at that time was the invention of the word "co-operation." "Competition," he wrote, "must be replaced by co-operation," and a living organism was christened before it was born.

Others were thinking along the same lines, notably William Thompson, an Irishman, famed in his native Cork for genial eccentricity, who in 1824 published a book of serious importance, *An Inquiry into the Principles of Wealth Most Conducive to Human Happiness*, and followed it up three years later with *The Claims of Capital and Labour Conciliated*. Dr. William King (1786-1865), the Brighton physician and friend of Lady Byron, was not more successful than Owen in establishing durable institutions, but the numerous small co-operatives founded about the year 1830 by Dr. King and his disciples were much closer in form to the modern Co-operative Society than were Owen's communities and labour exchanges. King published a monthly paper, *The Co-operator*, which only ran to twenty-eight numbers, but which exercised wide influence. Like Owen, he preached the supreme value of labour, but he also saw the importance of controlling capital, which he regarded as the product of labour put to reserve. He was more democratic than Owen, the captain of industry (the doctor, if anyone, sees all men as equal), and he was all for self-help and no patronage from the rich. He was also a sincere Christian and saw the Christian virtues as the basis alike of family and co-operative life. In this he was in harmony with his age and country, where Owen's free thinking caused more scandal than his social doctrines. Most of the co-operative



societies founded under King's influence were stores, selling daily needs to their members, but some were associations of producers, and the final aim of all was that the workers, by the accumulation of collectively owned capital, should be able to organise their labour for their own benefit.

While Owen and King were propagating co-operative theory in England, similar ideas were finding their way into print in France. The French Revolution of 1789 had been political rather than social, and it was one who had lived through the Revolution without taking part in or apparently receiving any particular impression from it, who became the obscure prophet of the co-operative way of life. François Marie Charles Fourier (1772-1837) was a commercial traveller and a visionary. He was the H. G. Wells of his generation, who, in the first years of the nineteenth century, could look forward to the Suez and Panama Canals, an universal language, industrial armies, the modification of climate by vegetation, and a vessel which would leave London to-day and arrive in China to-morrow. But he was also the inventor of the *phalanstère*, an agricultural-industrial community, the economic function, social rules and even the architectural layout of which he imagined and described with the utmost precision. He never attempted, never indeed had the means to put his ideas into practice, but his ideas, like Owen's, passed to America, and he was to find at least one disciple in France who, as a later chapter will show, achieved an outstanding practical success which had its germ in the *phalanstère*.

Saint Simon (1760-1825), who first used the phrase "to each according to his needs, from each according to his capacity," was the father of French Socialism rather than of French co-operation; he was concerned with human society as a whole, not with associations within the society. But his disciple, Philippe Buchez (1796-1865), was writing in Saint Simon's paper, *Le Producteur*, during the same years as Dr. King and to much the same effect. He too was a doctor. He too preached self-help and the accumulation of capital to be used in controlling and reforming social economy. He too laid stress upon the Christian virtues. Only while King thought mainly of consumers purchasing their needs, Buchez thought of producers selling the products of their labour. It was a difference which



was to stamp itself upon the future development of French and English co-operation.

Buchez's ideas passed to Louis Blanc, a politician and a man of action, and through him found practical if not permanent expression in France. They also passed, by way of the Christian Socialists, to England, and so became, at a later period, part of the co-operative doctrine of that country. For ideas have always passed to and fro between England and France, much as the ball passes between two footballers making for the same goal.

## CHAPTER II

### BRITISH CONSUMERS' CO-OPERATION: THE YEARS OF GROWTH

Two British co-operative societies, the Sheerness Economical and the Lennoxton Victualling Society, have an unbroken history from the period of the Napoleonic wars, but the modern movement is generally dated from the foundation of the Rochdale Equitable Pioneers at the end of 1844.<sup>1</sup> It seems at first hard to explain why this second wave of co-operative action succeeded when the first had failed, but perhaps the explanation is not really difficult. The men of 1844 had won experience in a hard school. They had been through the early co-operative experiments, the collapse of the first trade union movement in the thirties, the downfall of Chartism in 1842. They had absorbed from Owen, from King and from the Irishman, William Thompson, a vast amount of co-operative theory and they had seen just in what ways human nature and economic forces made the theory more difficult in application than it looked on paper. In the second place the early forties were, though the men of the time might not be aware of it, a turning point in the industrial history of Britain. An agricultural country had been equipped and industrialised at great cost in human suffering, very unevenly distributed.<sup>2</sup> It was now ready for a period of expan-

<sup>1</sup> For a full history of the British co-operative movement see *A Century of Co-operation* by G. D. H. Cole, 1945.

<sup>2</sup> Compare the human cost of industrialising Russia in our own day. The methods and the psychological response of the worker have been different, but the material price of putting capital equipment before consumer goods may have been nearly as high.

sion and the rapid increase in wealth. It was the alertness and tenacity of the workers which gave them a share in that increase, small at first, but growing with the generations. But it is significant that successful co-operation came in at the beginning, not of a depression but of a boom.

Rochdale was and is a woollen and cotton milling town in the Lancashire hills. Its problems in the mid-nineteenth century were the problems of all such towns. The handloom weavers were being squeezed out by power-driven looms. The mills were still paying the low wages of the preceding depression. There was much unemployment, relieved only by the poor law. Hours of work were long. Mean and crowded houses without adequate water or sanitation had been run up to provide for the rapidly increasing population and fill the pockets of speculative builders. The system of retail trading was deplorable. The Truck Act of 1831 had made it illegal for employers to pay wages in kind or in tickets which could be used in making purchases only at a particular shop, usually the property of the firm, but the practice lingered under slightly disguised forms and a desire to abolish it had been the driving force behind many of the earlier co-operative attempts. Apart from the company store, retail trade was in the hands of many small shopkeepers, often themselves neither competent nor secure. Quality was of the poorest, adulteration, still unchecked by law (the Food and Drug Act was not passed till 1872), was widespread and a menace to health. Prices were high, and with long spells of unemployment or short time, there had grown up a system of credit trading which left the worker or his wife helpless in the hands of the shopkeeper.

The majority of the twenty-eight pioneers who founded the Rochdale Co-operative Society were flannel weavers. There had been an earlier, unsuccessful society. All the pioneers were Owenites or Chartists, leaders of strikes or agitators for the ten-hour day or the repeal of the Corn Laws. They were men with a good deal of political experience, used to working with their fellows. The objects of the Society, as set out in its rules, were varied and far-reaching. They ranged from the establishment of a store for the sale of provisions and clothing, to the building of houses for members, the opening of workshops and the purchase of farms for their



employment, and the establishment, "as soon as practicable," of a self-supporting home colony. There were more ideas here than could conveniently be carried out through a single organisation, and it was the first alone which was to be developed to its limits by the British movement.

Since the structure and rules of the new society formed the model for countless successors, not only in England but in other countries and continents, they are worth considering in detail. In the first place membership was to be open—anyone, man or woman, at least up to a fixed total, could join the society on equal terms with the original members. There could thus be no closed corporation running a business for its own advantage, nor could there be any discrimination on political, religious or racial grounds. Only people of known bad character or bad habits could be refused admission. All members should subscribe to the capital of the society, but there should be an upper limit to the number of shares which any one member could hold and interest should be paid at a low fixed rate. No matter how prosperous the society was to become, shareholders as such could never grow fat on the profits of its undertakings. Each member should have one vote only in the affairs of the society. Power to contribute financially should be no grounds for greater influence. This was to be the greatest single difference between a co-operative society and what was to be, after the passing of the Companies Act in 1855, a joint stock company.

The second radical difference came in the distribution of profit, or as co-operators, quite rightly, preferred to call it, trading surplus. Payment of interest on capital and on any loans or deposits which the society might be using was a first charge. Provision was made for the accumulation of reserves. What remained was distributed as a dividend to members in proportion to their purchases. This device solved one of the most difficult of the problems confronting the early co-operators. They had not come together to make profits. If they could, they would have provided their members with the necessities of life at cost price. But, even apart from the violent opposition this would have aroused among rival shopkeepers, cost price would have been almost impossible to determine in advance, in an immature organisation with the

running expenses and overhead charges, the risks of spoilage and unsold goods, all unknown at the time when prices would have to be determined. The dividend on purchase made it possible to determine cost price retrospectively, when the quarterly accounts were made up, and to make every individual member's account right on that basis. In time, as the fame of the co-operative movement spread beyond the original band of enthusiasts, the "divi" was to be one of its most popular attractions. It did, however, involve one step away from the larger idealism, since it meant that the members were more anxious to run a successful store on co-operative principles than to use that store as a means of collecting funds for those socialist colonies, which had been the goal of the first Owenites.

It was laid down in the rules that all trading should be for cash only. This was partly a safeguard for the society itself, partly an attempt to check one of the principal social evils of industrial England. This principle was maintained for many years, but it was modified, for reasons which will appear later, when co-operation was adapted to agricultural conditions, and to some extent with changes in retail methods and the type of goods handled. The sale of pure and unadulterated goods was an important principle and again a direct answer to prevailing methods of shopkeeping. Nothing was contained in the rules about the sale of intoxicating liquor (though the society hoped to run a temperance hotel) but in fact, this has always been virtually excluded from co-operative trade in Britain. The use of funds for the education of members in co-operative principles at once stamped the movement as something more than a business, and signified that its members still believed in the Owenite ideals. Finally, political and religious neutrality was not only the natural outcome of the principle of open membership, but meant that the society itself could not become exclusively bound up with any church or political party. This rule, although kept for a number of years, and still operative in many countries and many sections of the movement, was ultimately challenged and finally abandoned in the British consumers' movement itself.

The society began business, with a limited range of groceries, on December 21st, 1844, in the now famous shop in Toad Lane. It grew rapidly, increasing its range of goods

and beginning to sell meat in 1846 and drapery in the following year. In 1850 its members took the lead in establishing a corn mill, which provided flour for the Rochdale and other societies. It had now 600 members and annual sales of some £13,000. And it was not alone; other societies were coming into existence, mostly in the industrial North. In the early fifties several national Co-operative Conferences were held and as many as forty-four societies, mostly consumers' stores, attended the northern Conference of 1851.

In the realm of ideas, leadership had now passed from the Owenites to the short-lived but influential movement of the Christian Socialists, of whom the most prominent were J. M. Ludlow, a young barrister who had been brought up in France, Frederick Maurice, professor at King's College, London, and Charles Kingsley, a country parson. Ludlow had, through his French connections, not only received the ideas of Buchez and Fourier, but had seen something of the co-operative workshops then beginning their career in France. The interest of the Christian Socialists was in co-operation among industrial producers rather than among consumers. Co-operative workshops did indeed exist in England, and of them more will be said in a later chapter, but the Christian Socialists had chosen a minor tributary rather than the main stream for their co-operative voyage, and after a time most of them dropped out of the active movement and devoted themselves to workers' education or to the enlightenment of the public on workers' conditions.

They left behind a group who were to give lifelong and essential service to the co-operative movement—Ludlow himself, the future Registrar of Friendly Societies, Vansittart Neale, the future Secretary of the Co-operative Union, and Judge Hughes, the author of *Tom Brown's Schooldays*, wise counsellor and chairman of future co-operative congresses, who was also in the course of his career a Radical member of Parliament and one of the founders of Trade Unionism. They did the movement one immediate and very valuable service. They secured for it legal recognition and status. Until the passing of the first Companies Act in 1844, trading concerns, unless incorporated under special Act of Parliament, were owned by individuals or partners, who were responsible with

their entire personal fortune for the debts or losses of the business. Such a position was obviously precarious. The Companies Act opened to ordinary joint stock companies the possibility of limiting the liability of their shareholders to the value of their shares, a much safer position for the shareholder. But the cost of incorporation under the Companies Act was too great for societies of working men like those of Rochdale. An alternative was the Friendly Societies Acts, which had been taking shape gradually since 1793. They were designed to give form to and permit some supervision of working class benevolent associations, at a time when all workers' organisations were liable to be treated as conspiracies under the Combination Acts. In 1829 a public official, the Registrar of Friendly Societies, was appointed to scrutinise and certify the rules of societies applying for registration. But the Act, although most of the early co-operative societies registered under it, was not really suitable for societies carrying on trade on anything but the most minute scale. The Christian Socialists, who included men with legal training and friends in Parliament, secured the passing in 1852 of the first Industrial and Provident Societies Act. The Act was amended ten years later, giving the societies a clear right to limited liability and the power to federate. It has stood, virtually unchanged, till the present day, and has been the model for co-operative legislation in many other countries.

It had been apparent for some time that by running retail shops, co-operators had only taken one short step towards the control of their own food and the other necessities of their daily life. They could neither effect great economies in retail prices, nor could they do much to ensure quality and purity while they were dependent for their supplies on wholesale merchants who cared nothing for the aims or success of their movement. There had been several early attempts to establish co-operative wholesale agencies which would buy on a large scale on behalf of a group of co-operative societies. In 1850 the Rochdale Pioneers themselves opened a wholesale department for the benefit of their own and other north country societies. This was not a really satisfactory arrangement. The alternative was a federation of societies, but this was not possible under the existing law, though there were one or

two attempts to evade without actually breaking it. A series of conferences was held, several in Manchester on successive Christmas Days, which simultaneously pressed for the amendment of the law and laid plans for a federal Wholesale Society. In 1862 the Industrial and Provident Societies Act was amended and in the following year the North of England Co-operative Wholesale Society was registered, with an affiliated membership of forty-eight co-operative societies and a capital of some £2,000. So modest, indeed, was this beginning that a note appended to the first statement of accounts asks members to "avoid delay in forwarding the second halves of bank notes as this limits our capital and cripples our action."<sup>1</sup>

Progress, however, was rapid. After ten years, share capital had risen to £61,000 plus £193,000 in loans and deposits, and trade had risen to nearly £2,000,000. In the following year, J. T. W. Mitchell, of Rochdale, became Chairman of the Society, and he continued to hold that position until his death twenty years later. He was the strong man of the Society, and under his influence it not only grew and prospered, extending its trade and strengthening its financial position, but began to work back from wholesale trade to actual production. This was not accomplished without a struggle of ideas within the movement, for many co-operators believed sincerely and even passionately that the only right organisation of industry was by the workers themselves, and that ownership of factories by an organisation of consumers was, for those who worked in them, no better than ownership by a capitalist company. Gradually Mitchell won his battle, and year by year, through the eighties and nineties, factories were established for the manufacture of boots and shoes, cloth and clothing, cocoa, chocolate, soap and furniture, for flour milling and printing. Meantime, as the C.W.S., like all British merchants, drew upon the world for supplies, overseas depots were established in New York, Rouen, Copenhagen, Hamburg, Aarhus (Denmark), Montreal, Goteborg, Denia (Spain), Sydney and elsewhere. Foreign trade meant shipping and the *Plover*, the first ship of a considerable merchant fleet, was purchased in 1876. About the same time, the C.W.S. opened

<sup>1</sup> Before the coming of cheques it was common practice to send bank-notes in two halves for safety.



a Banking Department, at first in a position of some legal uncertainty, which was primarily intended to finance its own operations and those of its affiliated societies, but which was ultimately to become a co-operative bank in the full sense of the word. A Co-operative Insurance Society was run in close association with the Wholesale.

In the meantime, the Scottish Co-operative Wholesale Society had been formed in 1867. This may look to-day like a duplication, but distances were longer in the nineteenth century, and the English Wholesale was not ready to open a branch in Scotland. In fact, the Scottish C.W.S. has justified itself by energy and experiment as well as by the attention given to specifically Scottish needs and aspirations. The two eventually went into the tea business together, registering the Joint English and Scottish Co-operative Wholesale Society for this purpose.

In the meantime, there was a move to unite the steadily increasing number of local co-operative societies for purposes other than those of trade. A National Co-operative Congress, consisting of representatives of the local societies, met in London in 1869. It was to become an annual function, meeting always in Whit-week in a different city in England, Scotland, Wales, or occasionally Ireland. A Co-operative Central Board was set up in order to maintain contact with the societies between congresses. It became, after a few years, the Co-operative Union, with its head office in Manchester, but organised in sections based on geographical regions. The Union owed much to its first Secretary, Edward Vansittart Neale. It became the advisory centre for the movement, with legal, statistical, educational and publicity departments, and it worked in close association with the official Registry of Friendly Societies, under Neale's old associate and personal friend, Ludlow.

A number of newspapers and magazines, many of them short-lived, had been established from time to time to spread co-operative principles. In 1870 Congress set up a co-operative newspaper company, which began the issue of the *Co-operative News* in the following year. This is a weekly paper which has given valuable service in making co-operative activities known and allowing scope for the discussion of co-operative problems. It is still the principal organ of the movement.

In 1883 there was an interesting development. Women had always been admitted to membership of co-operative societies on equal terms with men. They had not up till that date taken any active part in the movement, although an organisation which supplied the daily needs of working-class households was in many ways more interesting to the housewife and shopper, "the woman with the basket," than to the wage earner. Now, as a result of a tentative suggestion put forward in the "Women's Corner" of the *Co-operative News*, an organisation was set going which, under the name of Women's Co-operative Guild, and the outstanding leadership of Margaret Llewellyn Davies, was to become at once a force in co-operative life, a release of innumerable working women, mothers and housewives, from the narrow life of their own homes, and an education in co-operation, public affairs and citizen duty. The Guilds anticipated the Women's Institutes in holding monthly meetings at which members met, not merely for tea and company, but for some definite purpose of instruction or the mobilisation of opinion to a practical end. The Guilds were in some ways bolder than the Institutes in taking up causes which might be controversial and unpopular. They campaigned for the representation of women on co-operative and local governing bodies, for a minimum wage of women employees of co-operative societies, for better maternity and child welfare services. Their influence on the co-operative movement has been strong and lasting.

In 1894, half a century after the Rochdale Pioneers had taken down their shutters, there were 1,421 retail co-operative societies in Great Britain. Membership, principally of heads of households, stood at well over a million and sales at something over £30,000,000. All the societies sold groceries, and the majority also clothing and boots. Only a part ran their own bakeries (in the North especially, home baking prevailed) and few handled perishable products such as milk, fish or fruit. Only the larger societies dealt in furniture, china and hardware. The average annual purchases per member were a little under £27. Even allowing for the low wages and lower prices of the period, it was clear that many members did not, or in many cases could not, make all their purchases at their co-operative store. Membership was almost exclusively working class, and

so in the main was leadership, especially local leadership. Among national leaders and supporters of the movement there were always a few middle class sympathisers, some of whom made a valuable contribution in ideas and experience.

From the first the movement had pledged itself to education, but for many years little was done beyond the establishment of reading rooms and small libraries, which fulfilled a useful purpose until they were superseded by the broader and better endowed public library system. Co-operators supplied many of the students for the University Extension Movement, and subsequently the Workers' Educational Association and the Tutorial Classes connected with it. The co-operative societies began, in a somewhat limited way, to conduct classes in book-keeping and similar subjects for their own employees. The Education Department of the Co-operative Union was organised in 1898, and began to co-ordinate the work undertaken locally and to bring co-operative teachers and members of education committees together in conferences and summer schools. In 1914 it was decided to set up a Co-operative College at the headquarters of the Union for the advanced training of the staffs of co-operative societies, although owing to the outbreak of war, the College was not opened till 1919.

The outbreak of the 1914-18 war found the co-operative movement with somewhat fewer societies than in 1894, due principally to amalgamation of a perfectly healthy kind. Membership, however, had grown to more than 3,000,000 and trade to £88,000,000. The co-operative movement, in close touch with working-class life, saw much more quickly than the Government of the day that some form of price control and rationing would be necessary if the growing food shortage of the war was not to result in soaring prices and privation for all but the rich. The idea was new to English public policy and was adopted after much delay. When sugar rationing was at last introduced, the co-operative movement had 9½ million registrations to show. In the latter stages of the war the movement had considerable influence on food policy. In other ways—the call up of men for the services, and in particular, the manner in which Excess Profits Tax was levied on trading surpluses, which from the co-operative point of view were not profits at all—the movement felt it had been ill-treated by the



public authorities. It was this sense of injury which led co-operators to take a notable step away from one of their original principles and to seek direct representation in Parliament and on local governing bodies. They did so by means of an independent Co-operative Party, which has put forward candidates at every election since 1918, and has secured a limited though useful representation in Parliament. Though in origin distinct from the Labour Party, the two have so much in common as representative of the industrial workers' views and needs in politics, that they have always worked closely together, and co-operative Members of Parliament have held office in all Labour Governments. Their most distinguished representative so far has been Mr. A. V. Alexander, First Lord of the Admiralty in the short-lived Labour Government of 1929-31, and again from 1940 to 1946, when he became Minister for Defence.

### CHAPTER III

## THE BRITISH CONSUMERS' MOVEMENT TO-DAY

IN 1945 there were in Great Britain 1,070 retail industrial co-operative societies. They had 9,401,927 members and over 11,000,000 registrations for rationed foods, just over one quarter of all registrations for sugar, fats and preserves. This figure did not cover all those who would normally have bought their food at the co-operatives, as many of the young men and women were in the services or working and living away from their homes. The total sales of retail societies amounted to £352,311,277. The trade of the two Wholesale Co-operatives and the Insurance Society nearly doubled this figure. The assets of the movement as a whole amounted to not far short of £7,000,000. The employees numbered 323,326 men and women.

These are impressive figures. Just what do they mean in terms of shops and factories, warehouses and lorries, business organisation and social relationships? It is, perhaps, most satisfactory to begin with the retail society. At the outset it may still be necessary to make clear that the popular view of the co-operative movement as one concern, a super chain store, a hydra-headed monster, or even, in more restrained

language, a cartel, is untrue. As the history of the movement shows, it has grown spontaneously, always from small beginnings, always local in character. The local co-operative societies have no link with one another apart from their common membership in the Union and the Co-operative Wholesale Society. Plans for a form of national, interchangeable membership have long been discussed but have still not produced a decisive alteration in the structure of the movement. Both Union and Wholesale are the creation of the retail societies and exist to serve them. The position is the reverse of that in a private business, where the branches are created by and exist to serve the central undertaking.

Retail co-operative societies are not as a rule single shops. In villages where co-operation developed early and no amalgamation with neighbouring societies has taken place, the single shop or perhaps two shops serving neighbouring villages may constitute the whole co-operative undertaking. More frequently, societies carry on a central store with a number of branches. The group may serve a single large city like Birmingham, with the main store in the principal shopping centre and the branches scattered through the suburbs; or the main store may be in a market town, with branches in the surrounding villages. Some societies, especially in the South, cover a considerable region with more than one shopping centre. More than a third of the societies still have fewer than 1,500 members each, but almost two-thirds of the members belong to the 103 societies which have more than 20,000 members.

The central premises usually constitute a department store, with grocery, bakery, butchery, dairy, drapery and tailoring, furnishing, hardware and coal departments. Frequently, but not always, there are also fish and greengrocery departments, pharmacies and services such as restaurants, laundries, optical supplies and funeral furnishing. The co-operative movement was, indeed, the pioneer of the department store, at least in Great Britain. The branches all deal in groceries and bread and most, at least in villages, have drapery departments. In large towns people usually prefer to buy their clothes at a central store where the choice is wider. In rural districts distribution is widened, not only by ordinary van deliveries of goods previously ordered from a co-operative traveller, but

by regular visits of travelling shops, fitted with goods for sale, not merely loaded with those previously ordered. In addition to bakeries and pasteurising plant, some of the larger societies have jam factories and a few other types of "productive" departments not serving the public directly.

The small scale of many societies means that certain trading economies are not available to them and that a full range of goods cannot be offered in many areas. To counter such difficulties, the General Secretary of the Co-operative Union in 1942 proposed the establishment of District Societies which would seek co-ordination and planned development on a regional rather than a parochial basis; they would undertake joint surveys of trading opportunities, seek to organise certain types of production, e.g., bakeries, on a federal basis, eliminate local discrepancies in price and dividend policies, centralise the buying for societies and undertake joint advertising and propaganda.

This is a long-term policy and it is too soon yet to look for results. There has, however, been a discernible tendency towards the establishment of area trading schemes and federal societies. Kent Co-operative Society, for example, is a federal society established in April 1945 by retail societies in that county; it conducts dairy, laundry and funeral furnishing services, has purchased two hotels (at Cliftonville) and plans to operate a bakery. An even more extensive project was launched in September 1946 for a District Society to cover Wiltshire and Somerset. It is intended to establish now or at a later date federal schemes for boot repair, a laundry and a bakery and to watch for opportunities to organise other services. A scheme for inter-trading, i.e., payment of a dividend on purchases made at another society, is also part of the plan, but this will be so organised as to include Dorset, Devon and Cornwall as well. At the inception of this scheme, forty-four societies participated. Inter-trading schemes have also been organised in the Wellingborough area, on Merseyside, at Nottingham, Leicester and Huddersfield and other regions. Department stores are rapidly becoming more common in the co-operative movement, London Society alone operating forty-four in various suburban districts, in addition to a high-class drapery store recently taken over in the West End of London. In the Manchester area, where there is no single



The average trade per member has fluctuated with price levels, availability of goods and conditions of employment. It was £28 in 1881 and hardly varied for the next thirty years. It rose to £56 in the post-war boom of 1920 and fell again to £28 in the slump of the early thirties. By 1944 it was once again at a war-time figure of £38, almost the same as in 1917-18. This is somewhat disappointing. Taking into account the fall in the value of money and the rise in wages, it suggests that, in spite of the extended services of the movement, it is getting proportionately rather less of its members' custom than in the days when its business was almost confined to foodstuffs and the simplest articles of clothing. A number of factors contribute to this result. Families are smaller, and membership of more than one member of a family is commoner than it was. The mere fact that the organisation has existed for a long time means that it has accumulated a number of members who spend little in its stores—people who have moved house, perhaps more than once, and not troubled to withdraw from societies of which they were once members; old people without homes of their own; indifferent people, who join for some temporary convenience. Moreover, although incomes are higher to-day, the proportion spent on the common necessities of life is smaller.

Co-operative stores are open to members and non-members alike. The non-member is asked at an early stage in his (or more usually her) purchasing, to take up a membership share. This is almost invariably of £1 value, on which not more than 1s. need be paid up. The remainder is accumulated automatically out of the dividend on purchase due to the member—but until the share is fully paid up he or she cannot vote at quarterly meetings or receive either interest or dividend in cash.

The control of a co-operative society is wholly in the hands of its members. Meetings are held quarterly or occasionally at longer intervals, to receive reports on the conduct of the society and its financial and trading position, and to give an opportunity for criticism and discussion. It is sometimes complained that meetings are poorly attended, at least as long as all goes well. This is to some extent true, but there are always enough enthusiasts to keep criticism lively. Democratic control

is still latent and felt as such by committee and management. The Annual General Meeting elects the management committee, or a part of it (committee members may not all retire together), and in some cases the secretary, if he is a member of the committee rather than an employee. The members of the management committee receive out of pocket expenses, but only two large societies have paid directors. This experiment, which was first made many years ago, has been retained by the societies concerned, but has found no imitators. Nearly all the larger societies also elect an education committee, with the general function of carrying on propaganda and promoting the loyalty of employees and members. In most large societies the management committee is divided into grocery, drapery and probably other sub-committees. Members of these committees usually give two or three hours a week to attending meetings. Very few of them have previous commercial experience. They are usually skilled workers, postal or railway employees, clerks and housewives.

Employees are appointed by the management committee, though in the case of junior staff the officials of the society do most of the sifting of applicants. The staff usually consists of a general manager, with departmental and branch managers under him, responsible for trading and services to the membership, and a secretary, equal in status with the general manager, who deals with the secretarial work, including that required by committee and other meetings, accountancy and the records of membership, shareholding and purchases which the co-operative system makes necessary. There are several variants of this structure, including the appointment of a single managing secretary, with trading, secretarial and accountancy departments under him. Employees are to a large extent recruited from within the movement from the sons and daughters of co-operators. Promotion to the higher posts is more usually made from one society to another, than within the same organisation. Most employees enter immediately on leaving the elementary school, and the movement has been criticised for its apparent reluctance to make use of men and women of higher education, such as are now finding ready entry into private business. A good deal is done to educate employees within the movement by evening classes, summer

schools and scholarships to the Co-operative College, but this is not the full equivalent of a wider general education.

Employees may and generally do become members of the societies they serve. They attend and vote at quarterly and annual meetings. In most societies they may be, and frequently are, elected to the managing committee. This would seem to involve disciplinary difficulties, but these do not, in practice, seem to have arisen. Perhaps because of the freedom with which employees can share in the control of the society, there has never been much enthusiasm for workers' councils and similar methods of putting employees and management committees into formal contact. On the other hand, the co-operative movement approves trade union organisation and for a number of years past has pressed it upon its workers, nearly all of whom are members of the National Union of Distributive and Allied Workers. This has been mainly a matter of principle, but has also been regarded as a convenient means of making and keeping collective bargains. It has not saved the movement from occasional strikes, and it is indeed complained that the workers, knowing that they are dealing with employers peculiarly sensitive to the claims of labour, have not hesitated to press for better wages and conditions than they would have attempted to wring from private employers of less tender conscience. The whole member-committee-management-employee relationship in a co-operative society is unlike anything in private business or the civil service and deserves more study than it has received from social and economic planners.

The Industrial and Provident Societies Acts have set a limit of £200 on the shareholding of the individual in the co-operative society. Practically all share capital is withdrawable at a few days' notice. Co-operative shares cannot be sold and do not appreciate in value. The rate of interest on them is fixed, usually at  $3\frac{1}{2}$  per cent per annum. In spite of these limitations the co-operative movement is amply capitalised. In 1944 the retail societies had, in addition to share capital of £222,302,324 (an average of £24 per member) loan capital, derived from members by way of deposits, amounting to £65,345,391, and reserves of £18,668,959. In addition to these disclosed reserves there are considerable hidden reserves



in the form of heavily depreciated buildings, equipment and stocks.

Of the total capital of retail societies only about 40 per cent is actually employed in their business. The remainder is invested, for the most part in the Co-operative Wholesale Society or in co-operative productive societies, or in ventures such as laundries, in which more than one society is concerned. There are also investments in government and municipal stock, in real estate and occasionally in non-co-operative industrial concerns. Allowing for the earnings of these investments,<sup>1</sup> it has been calculated that the cost of capital employed in trade is less than  $2\frac{1}{2}$  per cent, a very low figure.

The object of a co-operative society is not to make a profit but to distribute reliable goods at a reasonable price. As shown in the last chapter, the difficulty of selling at cost price led to the device of the dividend on purchase, which distributes the trading surplus to each member in proportion to actual spending, and thus arrives at the cost price by a roundabout route. It has the further advantages of avoiding a price war with private traders and providing a convenient and painless method of saving for the consumer. As the business efficiency of the co-operative movement has increased, the first argument has become less important. Sales at cost price could probably be made with safety if it were desired. The prospect of a war with private traders is still disliked by many co-operative managers, but probably the main argument for the retention of the dividend system is that it is liked by the members. On the other hand, there is very little to support the common accusation that co-operative societies surreptitiously raise prices in order to pay a high dividend. This is true of a few societies, especially in Scotland, where it is done deliberately, with the full knowledge of the members. Elsewhere prices are usually in line with the better class local trade for comparable goods, and dividend, averaging just under 2s. in the £, represents the real margin of profit on the business.

This dividend may not be earned equally by all departments. The demand that the discrepancies in margin should not be too great is a stimulus to departmental efficiency. The method

<sup>1</sup> *Consumers' Co-operation in Britain*, by A. M. Carr Saunders, P. Sargant Florence and Robert Peers. 1938.



of fixing prices in accordance with local practice has two considerable objections. It means that the co-operative societies follow, when they are often in a sufficiently strong position to lead, and their leadership might, with advantage, be in the direction of a general lowering of prices. Such a move would benefit those with the lowest incomes and would tend to tighten up the efficiency of retail trade in general. Price fixing by imitation also means that identical goods, and in particular the branded products of the Co-operative Wholesale Society, may be sold at different prices in different co-operative stores. The Wholesale has long campaigned against this anomaly but without much success. At the time of writing (1947) official price controls rule much of the market. When these cease, the whole price policy of the movement will have to be thought out anew.

The co-operative movement was founded to combat, among other things, the evils of credit. Its policy is still cash trading, but it has been driven to certain modifications. One is the weekly account, especially for milk, bread and other commodities delivered to the door. Another is hire purchase, especially of expensive articles such as furniture. A third is the so-called "mutuality club." This seems to have derived from the "draw club," into which members pay a small weekly sum, at the same time drawing out the name of the member who is to make immediate purchases to the value of her total contribution. In the mutuality club there is no draw, only a formal undertaking to make contributions over a fixed period, and permission to purchase after the first few payments have been made. These clubs are reported to have been costly to run, but they have considerably increased the trade of the movement, especially in clothing.

In the early days of the movement, economy in operation and a family atmosphere counted for more than display and a smart interior, certainly for more than servility on the part of employees, which was not desired. The growth of the movement has brought a much higher standard in shops and shop fittings, with the retention of a good deal of the family atmosphere. The movement is still hesitant about advertising. It is rightly concerned to gain co-operative members rather than sell particular articles, and its advertising, by poster and leaflets,

in local or national newspapers, is directed to that end. It still, however, lacks something in quality, and is apt to be a trifle old-fashioned and lacking in simplicity and art. There is also room for complaint on the more serious matter that, except in architecture, which is good and growing better, the movement does not lead in matters of taste or design. In clothes and furnishing, in particular, it is content to follow current trends and to hand out mass-produced adaptation of current fashions instead of employing first-class designers, and thus establishing a leadership of its own.

Of the goods sold in retail co-operative societies, about two-thirds<sup>1</sup> are derived from the Co-operative Wholesale Society, the Scottish Co-operative Wholesale Society and the English and Scottish Joint Co-operative Wholesale Society, which, in spite of its comprehensive title, is only concerned with tea, coffee and cocoa.

The Co-operative Wholesale Societies stand in relation to the retail societies very much as the latter stand to their individual members. The S.C.W.S. admits a few individual shareholders, including employees, but in the main the membership of both Wholesales consists of corporate bodies, nearly all of them co-operative, but including agricultural and productive, as well as consumers' societies.<sup>2</sup> These societies take up shares in the C.W.S. of not less than £5 for every two of their own individual members. They hold one vote at quarterly meetings in virtue of their membership, with additional votes in proportion to their trade with the Wholesale. This system ingeniously combines the democratic principle of votes according to the size of the society (i.e., the number of its members) with a stimulus to loyal purchasing from the C.W.S. The system of shareholding and voting in the S.C.W.S. is different in detail, but similar in principle.

Societies exercise control over the Wholesale by means of quarterly meetings of voting delegates. These meetings are broken up into a series of divisional meetings followed by a concluding meeting in Manchester, with the object of securing

<sup>1</sup> Exact calculation is difficult as it involves comparing wholesale with retail prices.

<sup>2</sup> Membership of the C.W.S. consists of 809 retail consumers' societies, 95 agricultural, 72 federal and special and 38 overseas societies.

attendance from all parts of the country. Detailed reports are submitted to these meetings, much more information being made available by the C.W.S., as by all co-operative organisations, than would be disclosed by a private company to its shareholders.

Directors of the C.W.S. are elected by postal ballot on a system of proportional representation by areas. They stand for re-election at four-year intervals, but normally hold the appointment, which is a full time paid office, until their retirement at sixty-eight. The control of the multifarious activities of the C.W.S. is carried on through three main committees—Finance, Grocery and Drapery—and a large number of permanent sub-committees and *ad hoc* committees. These committees deal directly with group and departmental managers. The Board is also responsible for the administration of the English and Scottish Joint Co-operative Wholesale Society and of the Co-operative Insurance Society.<sup>1</sup>

The principal business of the Wholesales is, as their name implies, the wholesale procurement on behalf of the retail societies in membership with them of the goods which they sell to their members. This covers practically the whole range of human needs. In some commodities the C.W.S. controls the whole process—a proportion of the tea and coal comes from the tea plantations and mines actually owned by the C.W.S. But tea is also bought on Mincing Lane and coal purchased from other colliery owners. Other commodities, milk for example, are bought direct from the primary producer, others again from the producers' organisation, frequently, but not always, after processing. Danish butter and bacon, New Zealand butter, cheese and chilled meat are acquired in this way. In the case of New Zealand, a further step was taken in the creation of a joint organisation, the Produce Association, in which the C.W.S. and the New Zealand farmers' co-operative organisations each owned half the capital and jointly controlled sales in this country. Purchases are also made from private dealers and manufacturers where the C.W.S. cannot obtain sufficient stock from a co-operative source or where membership demand insists on a particular proprietary brand. In spite of a good deal of pressure to conclude contracts with the

<sup>1</sup> See Chapter IX.

Canadian Co-operative Wheat Pools, wheat was still, in 1939, bought mainly on the Liverpool Corn Exchange. The C.W.S. took up the sale of perishables more slowly than of other goods, partly because retail societies preferred local supplies. The advent of Marketing Boards, as in milk, did much to break down this preference and promote C.W.S. handling. The total sales of the C.W.S. in 1945 amounted to £182,795,036.

About one-third of C.W.S. supplies before 1939 were imported, the largest single item (in value) being butter, followed by tea, wheat, meat and fruit. On a value basis alone co-operative Denmark was the largest supplier, followed by Canada, India, New Zealand, Argentine, Australia and the Netherlands in that order. The total value was over £40,000,000. The C.W.S. has offices or buying departments in all these countries except the Netherlands, and has further depots in Eire, Spain, France, the United States, West Africa and Ceylon.

The C.W.S. has devoted great energy to the development of its own processing and productive works, having always the aim of carrying through the complete chain of operations, from extraction of the raw material to presentation of the finished article on the counter. It also aims at producing all the equipment needed by its member societies. The value of C.W.S. production in 1945 was £53,825,831. The scope and variety of this enterprise can only be conveyed by a list of commodities and processes:

*Foodstuffs:*

Bacon  
Biscuits and Cakes  
Butter Blending  
Canning (miscellaneous)  
Fish Curing  
Flour  
Lard  
Margarine  
Milk Products  
Preserves and Pickles  
Vinegar

*Leather:*

Boots and Shoes

Fellmongery

Leather Goods, Saddlery  
Tanning

*Textiles and Clothing:*

Clothing  
Corsets  
Cotton Cloth  
Flannel  
Hats  
Hosiery  
Shirts  
Woollen Cloth

*Producers' Goods and Services:*  
Building and Engineering

Electric Power

Glass Bottles

Joinery

Motor Bodies

Packing Cases

Oil Cakes

Provender Milling

Railway Wagons

Printing

Weighing Scales

*Metal:*

Aluminium

Cutlery

Cycles

Electrical Appliances

Jewellery

Tinplate

Washing Machines

*Miscellaneous Consumers'**Goods :*

Brushes and Mats

Coal

Chemicals and Pharmaceuti-  
cals

Furniture

Paints and Varnishes

Pottery

Ropes and Twines

Soap

Tobacco

The Scottish C.W.S. covers many though not all of these processes and adds the manufacture of bedding and blankets, floor cloth and linoleum, hosiery, jute and the running of a laundry. The two Wholesales have between them 230 factories and works and over 58,000 employees.

To promote its relations with retail societies, the C.W.S. has established offices at Manchester, Newcastle and London, and branches or salerooms at Bristol, Cardiff and a few other places. It employs travellers and circulates price lists. The completeness with which retail societies place their trade in the hands of the C.W.S. varies considerably. It tends to be greatest in the small society, which has not trained staff or funds to shop successfully elsewhere or to run its own productive works, and is rather less in large societies, which can on occasion do both these things. There are exceptions to this trend, however, and the conviction that the movement should be united and self-sufficient if it is to fulfil its purpose is, in most societies, as strong a factor in "loyalty" to the C.W.S. as appreciation of the services received. Often pressure comes from the membership where the management may be inclined to stray towards private sources of supply. The C.W.S. pays dividend on purchase to all members and a half-rate dividend to the few non-member purchasers, including some agricultural

societies. Recently a higher dividend has been paid on the C.W.S. own productions.

Two quite recent developments are of interest. A number of smaller retail societies experienced difficulty in seeking to operate chemist shops, largely owing to statutory requirements regarding control. In order to give assistance in this, the C.W.S. last year registered National Co-operative Chemists Ltd. This society is arranging to open and run chemist shops in suitable areas by agreement with the local retail society, finance being shared jointly by the society and the C.W.S. It is anticipated that in the very near future some eighty shops will be open, and naturally further expansion is expected. Another measure which is designed largely to assist a smaller society is the creation of a co-operative "By-Post" service, which will offer a mail order service throughout the country. Production difficulties are delaying the inauguration of this service, but immediately these are overcome the catalogue will offer to rural populations and co-operators in the smaller towns a wider range of dry goods than they could normally expect to find in their own society.

The Banking Department of the C.W.S. is primarily engaged in financing the operations of the Wholesale and its member societies on a scale comparable to that of banks like Coutts or William Deacons. It has few branches but has an arrangement with the Joint Stock Banks whereby they act as its agents and handle the accounts of local co-operative societies. The daily takings of all co-operative societies are thus lodged to the credit of the C.W.S. The C.W.S., unlike other banks, pays interest on credit balances in current accounts, the rate being calculated, like the dividend on purchases, after the actual surplus of the half-year has been assessed. The Banking Department also holds considerable sums due to the societies as dividend on purchase, and accepts deposits from them.

In addition to its transactions with retail co-operative societies, the C.W.S. acts as banker for nearly all trade unions and for a large number of friendly societies and clubs, as well as for an increasing number of local authorities. Finally, it has opened deposit and current accounts for some 50,000 individuals. Credit balances in 1935, amounting to £90,000,000, were divided as follows : C.W.S. Trade Account, 71 per cent;



Co-operative Societies, 4 per cent; Trade Unions, 5 per cent; Friendly Societies, etc., 2·5 per cent; Individuals, 17·5 per cent. In 1945 the total deposits and withdrawals amounted to £1,112,188,536, and it was calculated that nearly £4,000,000 passed over the counters of the bank every working day of the year.

The Banking Department draws into its hands a substantial proportion of the working-class savings of this country, whether effected in the course of co-operative trade, through trade union and friendly society contributions, or by individual thrift. This gives it great financial strength. The will to use this strength in conquering wider fields of industry and service is always restrained, however, by a sense of responsibility in handling the resources of working men and women. This is all the stronger because the Directors of the Wholesale have themselves nearly all come from the ranks of those who cannot afford to gamble. The policy may well have been too cautious in the past. The investment of 76 per cent of the capital of the Wholesales outside the movement could be criticised as showing lack of confidence. It must, however, be remembered that both co-operative and trade union funds must be liquid as well as secure, so that there are limits to the amount which can be desirably converted into fixed assets. Further, there is nothing in co-operative principle hostile to investment in the funds of the State or municipalities, and where investment is in private industrial undertakings, this may be not so much an investment for purposes of revenue as a means of acquiring partial control over trades and processes to which the co-operative movement might not otherwise gain entry.

Besides the Banking Department, the C.W.S. has other service departments concerned with architecture and shop-fitting, legal advice, research, statistics, publicity and publications. It has a very important auditing department, staffed by public auditors,<sup>1</sup> which has done discreet and valuable service over many years, saving many societies in their early years from the perils of amateur and occasionally dishonest management, and building up a clear and sound system of accountancy appropriate to the peculiar character of co-operative business.

<sup>1</sup> Public Auditors alone are legally qualified to audit the accounts of societies registered under the Industrial and Provident Societies Acts.



An account of the trading side of the movement requires, in conclusion, a mention of the old-established federal societies dealing with particular commodities or services: the Co-operative Press and the Co-operative Printing Society, which are national; a dozen bakeries and a rather large number of laundries, each working for a group of retail societies; a small group of dairies and miscellaneous enterprises including coal distribution and funeral furnishing formed for the same purpose.

The co-operative movement also supports a considerable non-trading organisation, of which the central structure is the Co-operative Union. The Union is a federation of local and national societies. It exists as a policy-making and defence organisation for the movement, a forum for discussion and a court of conciliation. It co-ordinates and completes the educational work of the movement, undertakes publicity and public relations and statistical services, and provides advice on legal, labour, agricultural and financial questions. It is financed by subscriptions from co-operative societies in proportion to their own membership. Its constitution is somewhat complex, being based on nine sectional boards, elected on a geographical basis and together constituting the Central Board, from which is chosen the Executive Committee. There are, in addition, District Associations and Committees within the sections. All these bodies have definite local duties and lead a fairly active life.

The highest authority in the Co-operative Union is the Co-operative Congress, held annually in a different town in Great Britain. It is attended by something like a thousand delegates and lasts for the greater part of Whit-week. Congress has a long history. It began with the exchange of more or less academic papers on the possibilities of co-operative development, exchanges which did, in fact, do much to stimulate its growth; it has always the formal duty of endorsing reports and accounts. But for a number of years it has been primarily the annual parliament of the movement at which all questions of policy, major and minor, internal and external, have been discussed, and the conclusions crystallised in resolutions, regarded as binding both on the Union as a body and on its constituent societies.

Apart from its own boards, committees and departments, the Union plays a leading part in a group of joint committees

and councils on which the Wholesale Societies and other groups, such as the Co-operative Productive Federation,<sup>1</sup> or (in the case of education) the Co-operative Guilds, are also represented. The most important of these are the Joint Parliamentary Committee, which is concerned with parliamentary business as it affects the co-operative movement, the Joint Propaganda and Trade Committee, which is self-explanatory, and the National Education Council, which supervises local educational work and runs the Co-operative College and a number of short-term schools. The Co-operative Party is a distinct body, although under the control of Congress. It is concerned with the political aims of the movement and its representation in Parliament and on local governments. It has separate funds and it is only supported by those societies which approve its objects. The majority support it, but a few societies have maintained the tradition of co-operative neutrality in politics. Their freedom in this matter is not questioned, though their decision may not be approved. In view of the controversy which has raged round the co-operative movement in politics, it is perhaps worth recording that contributions to the Party funds are by no means on a large scale, those of the Wholesale being very modest in proportion to its resources and its interest in many matters affected by parliamentary action.

Co-operative education has two aspects, the training of the member in the general principles of the movement and the proper use of its facilities, and the training of the employees in its service. The training of the member is carried out by a variety of means ranging from frank entertainment through propaganda, detached lectures, conferences and summer schools, to study courses involving serious reading and essay writing. The training of the employee covers both the principles of the movement and the technical aspects of shopkeeping and accountancy. A large number of courses of this kind are arranged locally by individual societies for their own staffs, but for advanced studies and refresher courses scholarships are granted to the Co-operative College, which also receives a certain number of foreign students. The College, which was carried on in Manchester from 1919 to 1939, has now been removed to a country house near Loughborough (Leicester-

<sup>1</sup> See Chapter V.

shire). Apart from this formal education there is always an active informal exchange of ideas, experience and technical results among the senior staff and responsible committeemen of co-operative societies.

The Co-operative Guilds and, more especially, the Women's Guilds, play an important part both in educating members and in marshalling co-operative public opinion. Their ranks provide most of the active, voluntary workers in the movement, the liveliest attendance at quarterly meetings and a high proportion of the candidates for co-operative office. Co-operation also has its own youth movement, serving the purpose of a seed bed of future co-operators.

The structure of the British co-operative movement of to-day is thus of great complexity, covering as it does a wide range of economic processes and services, as well as an elaborate machinery by which the activities of the movement are stimulated and controlled by the members. It has great achievements in the most obvious of the tasks before it—providing the daily necessities of millions of people regularly, cheaply and with goods of reliable quality. It also provides a demonstration on an impressive scale of the democratic control of commerce and industry and the elimination of the profit motive. It is an example of the moulding of production by direct consumer demand, a method rightly held to eliminate the waste which goes with speculative production and high pressure salesmanship, but which may perhaps do something to damp down the inventiveness of the producer. It has provided a field of economic and social activity for thousands whose talents in this direction would otherwise have been unused to their own frustration and the loss of the community. All this has been attained not by compulsion, even at the decision of a parliamentary majority, but by the voluntary association of individuals without authority or even acknowledgment from the State.

#### CHAPTER IV

### CONSUMERS' CO-OPERATION ABROAD

CONSUMERS' co-operation abroad is a later development than in Great Britain and was much influenced by the British

example. There were, it is true, a few experiments of early date—the quaintly named *Commerce Véridique et Social* of Lyons in France, which was started in 1838 and existed for several years,<sup>1</sup> the pioneers of Eilenburg<sup>2</sup> in Germany, whose struggles have been made the subject of a novel—but there was no continuous, expanding movement until the eighties. In France the main interest was in workers' productive societies, "self-governing workshops," and the early French Socialists were inclined to look upon consumers' co-operation as a distraction of the workers' energies from the class struggle. A number of co-operative bakeries sprang up to combat the high price of bread in the late sixties and other stores followed, but there was no national movement. In 1885, however, a group of economists and social thinkers drew together under the name of the School of Nîmes, the pleasant little Roman-Greek city of Southern France, from which several of its members came. Its founder was Emile de Boyve, the friend of Vansittart Neale, Secretary of the British Co-operative Union, and its most distinguished member was Charles Gide, the social philosopher, who afterwards held the Chair of Co-operation in the Collège de France.

This group not only provided the movement with a philosophy distinct from, but not unfriendly to, French Socialism, but by promoting conference and discussion, succeeded in drawing the scattered societies together into a movement with representative machinery. A successful wholesale, the *Magazin de Gros*, with trading and ultimately manufacturing departments, was established in 1907. In 1912 the two existing Unions, one militantly Socialist, the other neutral, came together at the Congress of Tours to form a single national federation. It was hardly in working order before the war of 1914–1918 swept over Northern France. The movement was, and still is, strongest in the industrial regions of France, and many of the best of the French societies passed under German control or saw their premises swept away. Some, like the society at Amiens, played, under the threat of occupation, a part for which they had never been designed, handling all the

<sup>1</sup> See *Le Commerce Véridique et Social et son fondateur Michel Derrion*, by Jean Gaumont, 1935.

<sup>2</sup> See *Die Pionere von Eilenburg*, by Heinrich Lersch, 1934.

food supplies and much of the administration of their city, after the civil authorities had left. In unoccupied France the growth of population round munition works and the rise in wages gave the co-operative movement a chance to expand into new regions. One of its leaders, Albert Thomas, was French Minister of Munitions and was later to be the first Secretary of the International Labour Office. On the whole, French co-operation emerged strengthened from the First World War. It continued to grow through the inter-war period, suffering one serious setback in 1934 when the Co-operative Bank failed, partly under the strain of the great depression, but also as a result of unwise management. The shock to the movement was great, but the Wholesale Society pulled through, and none of the retail societies was seriously affected.

The basic structure of French consumers' co-operation is close to that of the English movement. Societies are legally registered, limited liability associations, members take up shares and control their societies through regular meetings at which each member has one vote. Union and Wholesale are federations of which the societies are members. Propaganda, education and services to members (the French movement has specialised in holiday and convalescent homes) exist side by side with purely economic activities. One characteristically French development has been the large regional federation closely integrating the work of a number of small societies, running branches of its own and supplying a central department store, wholesale and manufacturing enterprises, delivery services and travelling shops. This type of organisation is characteristic of the rural or only partially industrialised regions of Eastern and South-western France. It is an appropriate form for a large country with scattered centres of population and local sources of food and other supplies, which could not economically be channelled through Paris. In the north-east, the region of early development and a close agglomeration of industrial towns and villages, there is a tendency, as in Lancashire and Yorkshire, to retain the relatively small independent society, only linked with its neighbours for purposes of propaganda and mutual encouragement.

The Second World War put not merely a few societies but the whole French co-operative movement to the ordeal of

enemy occupation and inflicted on it the invidious task of helping to administer an enemy imposed rationing system. Once again it has emerged, and stands at the head of continental co-operative movements, with 3,000,000 members.

German consumers' co-operation has passed through even greater vicissitudes. It began as a philanthropic movement about the middle of the nineteenth century, promoted by well-intentioned employers and by Schulze-Delitzsch, the pioneer of industrial credit co-operation in Germany. This movement languished after the first few years and it was not until 1889, when German law allowed the formation of associations with limited liability, that the German workers began to organise stores of their own. Within ten years they had a Wholesale Society at Hamburg and were in touch with the co-operative movement of Great Britain. In 1902 they broke with the Union of Credit Banks, which largely represented the interests and point of view of small tradesmen and manufacturers, and set up a federal organisation of their own, the *Zentralverband*. The societies in this federation were all working class in membership, and though German law insisted on political neutrality, they were, through identity of membership and objects, closely associated with the Social Democratic Party and later with the trade unions. A few societies remained in membership with the "Liberal" Credit Union. A more important division in the German consumers' movement came, however, with the emergence in 1908 of a separate and considerably smaller federation, ultimately called the *Reichsverband*, representing the societies organised by the "Christian" (i.e. Catholic) trade unionists of the Rhineland. The division was unfortunate but was not disastrous, as it was geographical as well as ideological, and Germany is a large country.

Both movements progressed steadily. The *Zentralverband* established its bank in 1909 and a range of productive departments in the years immediately following. By 1908 the total number of societies had risen to a little over 1,000, a similar figure to that for societies in Great Britain; membership, however, had barely touched the million mark as compared with nearly 2,500,000 in Great Britain, and sales were only about a quarter of the British figure. Membership, however, increased rapidly throughout the war and post-war years and



reached a peak of 4,240,000 in 1924. By this time the catastrophic German inflation of 1920-23 had destroyed savings and discouraged business expansion and though membership was up almost to the British level, trade was still much behind. In the years that followed there was some falling off in membership, but sales rose until the eve of the great depression in the early thirties and the advent of the Nazis to power in 1933. In its last years of free development, the German consumers' movement, strongly established in all industrial regions of Germany, had a membership of rather more than half and sales rather less than one-third of the British movement. With the unemployment of the early thirties, sales shrank somewhat, and there was a tendency for workers' "deposits" to be withdrawn, but membership was slowly rising. The movement had a fully organised service, not only on the trading side, but also on that of education, propaganda, auditing and legal advice.

Hitler came to power in January, 1933, and in May of that year the headquarters of the movement and its wholesale organisation were taken over by the Nazi Labour Front. A similar fate befell the retail societies. These blows were not unexpected. The co-operative movement was detested by the Nazis, partly because of its links with the Social Democrats, partly because its federal structure gave it a superficial resemblance to the chain stores, which were the particular aversion of those small traders who were among the most numerous adherents of the Nazi Party.

Various expedients for the destruction of at least the co-operative character of the movement were proposed, including the liquidation of societies and the transfer of co-operative stores to private traders. In some cases the threat was carried out. The movement was everywhere weakened by the compulsory repayment of all members' deposits, by separation of the retail societies from the Wholesale, which was compelled to work for private traders and public authorities, and by the imposition of Nazi controllers over the heads of the co-operative staffs. After the outbreak of war, however, all that was left, and it was a good deal, of former co-operative premises, equipment and business organisation, was converted into a huge auxiliary service run by the Labour Front. There was no pretence of retaining co-operative ownership or control by the



members, but property remained and was identifiable. Since the end of the war and the occupation of Germany, permission has been obtained from the occupation authorities in all zones to begin the reconstruction of the movement. The process will be slow. A beginning has been made at the Wholesale in Hamburg and among the ghosts of the retail societies. There has been much actual destruction. The loss of all records will bring inevitable difficulties in re-establishing membership and shareholding. There will be the problems of reassembling and retraining staffs and re-educating members in the habits and proprieties of democratic management in economic affairs. In the meantime, the extreme lack of consumer goods, the lack of transport and communications and the division of Germany into impermeable zones, are adding gravely to the difficulties. The potential value of the movement as an efficient piece of economic machinery, where all is chaos, and as a training in democratic technique, needs no emphasis.

The consumers' movements of the Low Countries differed from their larger neighbours and from one another. The first co-operative societies in the Netherlands were founded by civil servants and army men, and the movement has always had a strong middle-class wing, which for some years found difficulty in amalgamating with the workers' societies. In 1920 a Joint Union was set up, which still left some Roman Catholic societies outside the fold. All, however, were affiliated to the *Handelskamer*, or Wholesale. Membership was never large—only about 260,000—but many of the societies were very well run and had worked out valuable subsidiary services such as clinics, for the use of their members.

The strongest section of the Belgian co-operative movement was, by contrast, that of the industrial workers in the coalfields, steelworks and textile mills. A group of societies, most of them fairly large, and with a combined membership of about 350,000, was grouped in the *Société Générale Coopérative*, which was both Union and Wholesale. Active collaboration with the Belgian Labour Party, a cordial family atmosphere, and a concern with all sides of the workers' life through the educational and recreative *Maisons du Peuple*, a vigorous Women's Co-operative Guild, and similar non-trading activities, were the distinguishing characteristics of this movement.

There existed in Belgium a smaller but by no means inconsiderable federal co-operative society of civil servants, politically neutral and without organic links with the workers' movement.

All the Scandinavian countries—Sweden, Norway, Denmark and Finland—have brilliantly developed most of the possibilities of co-operative organisation. They are all predominantly agricultural countries with a relatively high standard of living. Sweden is the most highly industrialised, but the industrial revolution came late and was carried through without social dislocation and hardship. As an exponent of consumers' co-operation, Sweden is probably the best known of the four, and has had considerable influence abroad, especially in the U.S.A. The movement developed late, after early failures, and made little progress before the present century. Then under bold and imaginative leadership, it went rapidly ahead. Its characteristics are the combination of administrative and trading centres in a single organisation, *Kooperativa Förbundet* ("K.F."); the success with which it has pushed production, choosing often not the easiest lines, in which there was least competition, but those in which a private monopoly was already entrenched, and had to be broken; its educational work; its political neutrality, the high quality of its propaganda, films, journals and other publications; and the style and charm of its shops and the goods sold in them. It has some half million members in a population of six millions and sells more than £15,000,000 worth of goods. It mills a quarter of the total flour consumed in Sweden and has direct trading relations with the farmers' organisations, buying their grain, milk and meat, and selling them fertilisers from a jointly owned productive plant.

The Danish consumers' movement exceeds the Swedish both in membership and trade, though it is much less well known abroad. It has the same type of combined Wholesale and Union, a largely rural membership, a close link with the farmers' organisations, and perhaps the highest sales per member, as well as one of the largest memberships in proportion to population of any co-operative movement in the world.

The Norwegian movement has half the turnover of the Swedish movement and less than half the membership

(Norway has a small, scattered population and few industrial workers), but purchases per member are, again, among the highest in the world, and the organisation has been carefully thought out to meet the needs of remote fishing villages and mountain valleys, as well as of the capital city and the paper milling towns of the south.

Finland, again a country of small farmers, many of them also foresters, had two movements, divided on political rather than functional lines. Y.O.L. (Yleinen Osuuskauppojen Liitto r.y.), the largest of the Unions, is neutral and rural; K.K. (Kulutusosuuskuntien Keskusliitto), the smaller, is socialist and, in the main, urban. Norway, Denmark and Finland have all suffered war and enemy occupation, Finland probably the most severely, for the movement has lost large and promising societies in the transfer of territory to the Soviet Union. All four countries are joined in ownership of the *Nordisk Andelsband*, the Scandinavian Wholesale Society with headquarters in Copenhagen, which purchases, generally from abroad, on behalf of the national Wholesales which are its members.

In Southern Europe the outstanding practitioner of consumers' co-operation is probably Switzerland. The movement is not unified. There is, in addition to the principal union, a farmers' federation with headquarters at Winterthur, which combines the sale of food and household goods with agricultural supplies and the marketing of some lines of agricultural produce, and a small Catholic federation, which holds aloof for sectarian rather than functional reasons. The V.S.K. (Verband Schweizerische Konsumvereine), with headquarters in Basle, is on a scale comparable to the Scandinavian movements, and has at least as high a standard of performance. It has the usual wholesale organisation and a number of interesting subsidiary undertakings, some working closely with agricultural co-operative societies (especially in milk distribution and market gardening), some representing an infiltration into privately owned industry. The co-operative Garden village of Freidorf, just outside Basle, is one of V.S.K.'s distinctive creations. The movement is politically neutral, "liberal" rather than socialist in tone, serving a population with a high standard of living and no wars or crises in its history.

The Italian movement, once strong, at least in the industrial

cities of the North, suffered severely under the Fascist regime. In the early stages, shops were wrecked and staffs beaten up. Then, as in Germany, a policy of capture and regimentation replaced that of destruction. The economic structure of the movement survived, and there was some genuine co-operative life under the official crust. The survivors have now the task of re-creating a genuine co-operative movement while struggling with the day to day problems of distributing scarce commodities in a war-shattered country.

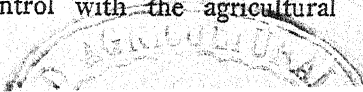
In Spain, consumers' co-operation made progress in Catalonia and more limited progress in the Basque country, but it was a movement of the industrial workers, of the Left in feeling, if not in actual party affiliation, and the present regime (1947) has drained its vitality and given it little space to grow. In Portugal there was hardly a beginning, even before the dictatorship took charge.

Most of the co-operative movements of Eastern Europe grew up under the shadow of oppression. The Austrian movement, which also counted members among the German-speaking minorities in what became Czechoslovakia, lived, it is true, under a government native to its people, but it was a workers' movement, like its counterpart in Germany, and neither the Austrian nor the German Empires looked upon workers' organisations with favour. Austrian consumers' co-operation, centred in Vienna, but with member societies in most of the smaller Austrian towns, had to wait for the dissolution of the Empire to come into its own. It had a brief and brilliant career under the democratic Austrian Republic, passed into the Nazi eclipse in 1937, but was never so harshly handled as the movement in Germany itself. Leaders with strong Social Democrat connections suffered or went into exile or retirement, but the movement kept its structure and much of its personnel intact, and the task of re-creation is not likely to be so difficult as in either Germany or Italy.

In Czechoslovakia the movement was rooted in national resistance to Austrian domination, as well as in the economic protection of the workers. When the Republic came into existence in 1919, there was already a strong Czech movement in the industrial towns where the workers were Czechs. In the German-speaking fringe, a number of societies which were

cut off from their centre in Vienna, formed a federation of their own. The two never amalgamated, though relations were not unfriendly, for both, though not officially party organisations, were Social Democrat in tone and sympathy. For this reason the Germans destroyed both movements utterly in the regions annexed after Munich. The organisation was dissolved. Stores and goods were handed over to private traders. Many German-speaking co-operators chose exile rather than live under the Nazi regime. The Czech movement in the Protectorate survived, though harassed, supervised and subdued to form part of the rationing system of the occupying power. Soon after liberation, the co-operative movement was reorganised. No attempt was made to restore the German-speaking societies as the policy of the State was to expel German minorities. The remaining societies of all types, consumers', agricultural, banking, housing, etc., were all combined in a single national federation, with affiliated functional unions. The intention has been to place the movement in a favoured position and to entrust as much as possible of the work of supply and reconstruction to it.

The history of Polish consumers' co-operation is similar in some ways but not in all. The movement grew up among the industrial workers under the three diverse but all more or less hostile regimes of Russia, Prussia and Austria. With Polish national liberation at the end of the 1914-18 war, came the need to amalgamate, to smooth out the differences of legal structure and the more subtle differences of operational methods and feeling and to begin the reconstruction of a country probably more thoroughly devastated than any in Europe. Remarkable progress was made between the wars. National minorities, especially the Ukrainian, resisted unification. The movement was far from being purely working-class. Probably the majority of its members were peasant farmers and there were considerable middle-class groups, especially of civil servants and army people, who had their own societies. The German occupation of 1939-45 did not destroy the movement—it was too essential a part of the machine for distributing food—and with liberation it has returned to full activity and recognition. As in Czechoslovakia, it has been placed, somewhat unwillingly, under a single control with the agricultural



movement, but the tendency of the State, so far from being obstructive, is towards overburdening the movement with work and responsibility.

In Yugoslavia, a country where national minorities broke the co-operative movement into sub-divisions more numerous than in Poland, the position to-day seems to be similar. The strongest pre-war consumers' movement was that of the civil servants, a term which included not only the staffs of ministries and of the Post Office, but the workers of the state railways and mines. In Hungary there was a workers' movement, almost confined to Budapest and constantly labouring under official disfavour and discouragement, and a large peasant movement which distributed domestic as well as agricultural supplies. This organisation, centred on the Wholesale and Union *Hangya* (the Ant), had been created in the late nineteenth century under the inspiration of Karolyi, and was aristocratic in leadership and consequently acceptable to the authorities. It was an effective organisation which did good work, and it was not the fault of its founder, a distinguished liberal, that it could do little to alter the fundamental anachronisms and injustices of the Hungarian land system.

In Bulgaria the movement, though not large, was united, democratic and sound, with a workable structure of local societies and wholesale purchasing and manufacturing organs. It was active in education and propaganda, and had a lively Women's Guild. As in other Eastern countries, it is to-day receiving rather more favour and responsibility combined than is probably to its advantage, since co-operation was never a growth which responded well to the forcing house.

Rumania had little to show in the way of consumers' co-operation before 1939, though a small regional federation in Transylvania had been working with success for a number of years. In Greece the consumers' movement is only now beginning among the workers of Athens-Piræus and a few other towns. It is an attempt to deal with the hardships of post-war Greece—scarcity, inflation, black market, but it has enormous and obvious difficulties to face.

Consumers' co-operation in the U.S.S.R. faces different problems and plays a different part to that of the movement in any other country. It had a modest development under the



eye of a suspicious Government before the revolution. It was suppressed by the communists immediately afterwards, and reinstated by Lenin under the New Economic Policy. Under the first Five Years Plan it increased in importance, both in town and country. It grew rapidly in membership and trade, it was elaborately federated, and its wholesale, Centrosoyus, was one of the principal organs of Soviet trade with the outside world. Then abruptly, in 1935, the entire network of urban stores was removed from the control of the co-operative movement and, incidentally, of their own members, and transferred to the State. Thenceforth the co-operative movement was told to concentrate its energies on the supply problems of the countryside. This it did with considerable success. However arbitrary the higher control and policy making may be, there is no doubt that the Russian village store is as co-operative in its management as the village society of other countries. It exists side by side with the collective farm, selling those articles of food, clothing and modest luxury which the collective farmers cannot produce for themselves. It is run by its own members' meeting and committee of management. Except for the direct sale of produce by individual farmers to their neighbours, or on pitch markets in the larger villages, it has no competitors. It is the sole means by which the products of State factories or workers' productive societies, or the produce of collective farms, reach the rural consumer. It has, on the other hand, comparatively little freedom of choice as to the goods to be purchased. The Soviet Union, even in peace time, is a land of planned consumption as well as planned production and the village stores receive, through their regional federations, the quota of butter, boots and bicycles released by the plan, for the year, the region and the class of worker concerned. In these conditions, totally unlike those of the rest of the world in time of peace, the consumers' movement has worked well. It had been fairly clear for some time that it was working better than the State shops in towns and factories and at the end of 1946 it was announced that the co-operative movement would be invited to resume responsibility for the provisioning of the town workers.

Consumers' co-operation outside Europe and the Soviet Union has developed less rapidly. There are local societies,



some of them flourishing, in the industrial towns of the British Dominions and the Argentine. Consumers' co-operation had developed in Japan between the wars, but hardly touched China. It was, as the botanists say, "local" in India. There was a remarkable war-time efflorescence of consumers' stores in Ceylon to meet the novel demands of a system of food rationing. Membership running into millions, stores in all parts of the island, a wholesaling and importing machinery were built up with astonishing speed. It is true that the fundamentals were there—a sound co-operative movement on other lines and a co-operative department with a trained staff. All the same, the growth has been too rapid for a full understanding of the principles and practice of co-operation to have been absorbed by all the membership or for a really adequate training of the staff. Some recession may be expected when State controls on trade are lifted, but the achievement has been striking and throws a new light on the possibilities of co-operation in Asia. Something similar occurred in Cyprus, but the community is smaller, with more general business capacity, and the pace was not so hot. Here co-operation is expected to hold what it has gained.

In the United States the position was unusual. For many years, apart from a few isolated groups of foreign-born workers, the movement was kept alive by middle-class groups, to whom it was an ideal rather than an economic necessity. An attempt was made to give the movement economic content by concentrating on quality and by advertising the full ingredients of all prepared foods. The improvement in quality and reliability over the efficient American chain stores was not, however, great enough to bring about a rapid growth of the movement. Meantime, in the Middle West, the Finnish farming communities around Lake Superior had set up a co-operative organisation modelled on what they had left behind in Finland, that is, rural stores selling both household and agricultural supplies. Soon after the First World War, other Middle Western farmers' purchasing associations began the retailing of petroleum products, essential to communities where the car and the tractor were linchpins of domestic and farm life. This was, in a sense, a service to consumers, as distinct from the older American agricultural co-operation, which had

concentrated on marketing farm produce. The Middle Western associations had contacts with Europe, especially Sweden, and developed during the thirties a "consumer philosophy." Most of them are to-day enrolled in the Co-operative League of America (which began as the organ of the urban consumers' stores), though they also retain membership in the National Council of Farmer Co-operatives. They have a wholesale, National Co-operatives, Inc., which deals both in agricultural and domestic goods. There is also a considerable number of American farm purchasing associations (of which more will be said in a later chapter) which do not handle domestic supplies or call themselves consumer co-operatives. These have a Wholesale of their own, in which several of the "consumer" group are also shareholders. Of the total value of supplies handled co-operatively in the U.S.A., probably two-thirds are farm supplies, perhaps one-fifth petroleum products and the remainder miscellaneous, including household equipment and a small proportion of foodstuffs. American consumers' co-operation is thus essentially rural, and in spite of the high standard of living and farming for which it caters, has more in common structurally with the peasant movement of Eastern and Northern Europe than with the urban consumers' movements of Britain and the West.

## CHAPTER V

### THE CO-OPERATIVE WORKSHOP

THE idea of a workshop where the workers would be their own masters, working under their own rules, designing their own products, selling them and dividing the proceeds among themselves, was one of the first to occur to co-operative enthusiasts. It was in a sense a conservative idea, going back to the family workshop of the age before the industrial revolution. For that very reason it appealed to the skilled workers, who looked back regretfully to the time of their independence. But for that reason, also, it was a form of co-operation which did not accommodate itself readily to the modern trend towards mass production, high capital investment in elaborate machinery and use of unskilled or semi-skilled labour. The workers'

productive society, the self-governing workshop, has nowhere had the same massive success as the consumers' store or the farmers' credit bank or marketing association. But it has had in certain countries and in selected trades, very notable achievements to its credit.

In England, industrial producers' co-operation is strongest in, indeed is almost confined to, three trades—clothing, boots and shoes, and printing. In all these, it should be observed, the level of skill is high, and though all are now fully mechanised, elaborate machinery was introduced late and gradually into the industry, and the minimum unit which could be run economically was always comparatively small. This made it easier for groups of workers, unemployed or thrown out of work by a trade dispute, to get together and start work on their own with some chance of success. Even so, it might have been harder if they had had to rely solely upon their own resources to purchase machinery and raw materials for the venture, and on their own commercial skill to find a market for the product. But they did not stand alone. The consumers' co-operative movement was ready to buy their products, ready also to come forward as a shareholder with capital to supplement the workers' contributions.

In Great Britain to-day there are eighty-nine industrial productive societies with 18,000 members and trade amounting to a little under £10,000,000. This is small compared with the consumers' or even the agricultural movement, but it is a substantial figure. Moreover, though there was a fall in membership about ten years ago, when a single society transferred to consumer control, production has risen steadily over a long period. In all these societies, control is exercised by a committee of management elected by the annual general meeting of members, who include workers in the society, representatives of the consumers' co-operative societies who hold shares in it, and sometimes a certain number of retired workers or members of workers' families who have taken up shares to help the funds or as a matter of general interest. Not all workers are members of the society. Apprentices pass through a probationary period and the unskilled are not always eligible. After payment of interest on shares, profits are distributed in bonus to the workers, to shareholders and to customers. The centre

of the clothing and bootmaking societies is in Leicestershire and Northamptonshire, and the Co-operative Productive Federation, to which all the workers' societies are affiliated, has its offices in Leicester. The printing societies are more widely distributed and work less exclusively for the consumers' movement, since about half their orders come from trade unions, local Labour Parties and other customers. A few other types exist, including some bakeries in Scotland and the Walsall Locks and Cart Gear Ltd., a long established society with annual sales of £85,000 and a substantial export trade outside the co-operative movement.

The prospect of any striking increase in the number or range of industrial productive societies in Great Britain does not seem very great. The rapid growth of builders' societies after the First World War ended in failure, due to the inability of the societies to finance their contracts while building was in progress and payment had not yet been received. There are no signs of a similar attempt after the Second War. In most fields the trend is towards large scale production and costly installations, and the accumulated funds of the consumers' movement are more likely to be utilised directly by the wholesale societies than put at the disposal of newly formed groups of workers.

In France, the workers' productive movement has a long history and is perhaps the special creation of French co-operative thought. The first crop of societies dates from the period of National Workshops, rapidly organised in 1848. Ostensibly on lines suggested by the Socialist, Louis Blanc, then a minister in the provisional government, they were really a travesty of his ideas. They were not only State-promoted and engaged very largely upon government contracts, but they received State capital to a very substantial amount. These workshops were not a success. Organisation had been too rapid, there was no selection or testing of membership, too little sacrifice or effort was required, there was democratic control but little democratic responsibility, and the movement collapsed. It was succeeded, however, by other and more successful efforts.

One of these was the stove foundry of Godin, a private manufacturer of Guise in north-eastern France, who in the mid-nineteenth century began the conversion of his business

into a co-partnership, modelled on Fourier's Phalanstery. When Godin died, in 1888, the workers were left as joint owners of the business, which includes the "famillistère" or living quarters of the workers, equipped with co-operative stores, schools, crèche and public park. The members are divided into classes, of which only the first class of senior workers are members of the General Assembly, entitled to elect the council of management and to take part in the management of the famillistère. Profits are divided between bonus on wages and interest on capital, with a bias in favour of labour. The society had its premises destroyed and its machinery pillaged during the First World War, but was reconstituted and has continued to function with success.

This example is probably unique. The more usual type of French society was started by the workers themselves, often during a period of unemployment or after an unsuccessful strike. One of the most interesting of the existing societies is that of the Makers of Precision Instruments, which started half a century ago with three or four unemployed instrument makers, who succeeded in getting an order to make a scientific camera and pawned the secretary's dining-room furniture to buy raw materials. To-day the society has a modern five-storey factory in Paris, a staff of 600 and annual output which amounted to £650,000 in 1937. Telephone equipment is the principal line, and the society installed many of the large urban telephone exchanges of France. But it turns out all types of precision instruments, including those required for ships and aircraft. The society runs its own apprenticeship school, each year admitting ten carefully selected apprentices at the age of fourteen. It employs a certain number of unskilled or differently skilled workers who are not members of the society, but it is a peculiarity of its rules that all members are paid the same wages, whether serving as directors or accountants, or working at the bench. The fraternal atmosphere is very marked (everyone uses the familiar "thou" to everyone else) and discipline is voluntary.

Other large societies in France include the tailoring establishment, *Union and Labour*, founded in 1914 to make soldiers' uniforms, now employing some 400 workpeople and carrying the process through from the woollen mill and the

dyeworks to the finished garment. It still makes, principally, uniforms on government contract, but in peace time the orders are for postmen, railwaymen and other civilian employees of the State. Uniforms are cut to measure, which means hand cutting, but the rest of the process is mechanised. Here again there is careful training of apprentices, a family atmosphere and complete workers' control. Another large society in the Paris region carries on the business of furniture removal and storage. The oldest surviving society is one of tinsmiths, making various types of light stoves, station and engine lamps, cinematograph projectors and similar articles. There are a number of printing societies, bakeries, a marble quarry, and a large number of societies engaged in different sections of the building industry, most of them working on government contracts.

It is indeed characteristic of the French movement that the public authorities stand to it in much the same relation as the consumers' co-operatives stand to the English productive societies, as principal customer and as provider of capital. In France this is made available by means of a revolving fund through a co-operative bank formed for the purpose. All these societies are guided and sustained by the National Federation of Workers' Productive Societies, which represents them in discussions with the public authorities, advises on the formation of new societies, provides model rules, assists with problems of law and accountancy, carries on a conciliation board to arbitrate between members and societies and societies and trade unions, and operates several funds for social insurance of members. It has lately set up a medical department with its own clinic.

In spite of the successes achieved, there is a fairly high turnover of societies formed under the spur of some immediate distress or discontent, which have not the vitality to survive. Workers' productive co-operation, indeed, is regarded in France as the most difficult type to organise, since it is concerned, not with one outlying activity of its members, but with that which is central to their whole lives and occupies most of their time and thoughts. The contact is, as it were, with almost the whole surface of their personality, and acute problems of mutual adjustment and avoidance of friction are thus added to those of business management and the control of valuable property.

The workers' productive society never developed in Ger-

many. The German worker either submitted to the mass discipline of the factory or tried to maintain his identity by the formation of co-operative societies for the provision of credit or raw materials, or for the marketing of the product of their individual labours.

In Italy there has been a considerable development of workers' productive societies in the building trades and in crafts like cabinet making, which call for individual skill and taste. These came to an understanding with the Fascist regime and continued to work through it, largely on public contracts. The distinctive contribution of Italy to co-operation in this field has, however, been co-operative contract labour, the associations of *braccianti* or navvies who undertake heavy constructional work, road building, canal cutting, and notably, the draining of the Italian marshes, begun by co-operative labour groups and carried on at the sacrifice of many lives to malaria, long before the final achievement was publicised by the Fascist State. Similar co-operative gang labour was organised in Hungary, often among migrating workers. A few craftsmen's societies exist in other countries of Eastern Europe. But until recently, conditions in the less industrialised countries were hardly ripe, since the workers' productive society is the outcome of a changing industrial structure, the self-adaptation of the élite of the skilled workers to a mechanised regime, or the introduction of that regime in conditions where the private capitalist is unavailable or unwelcome.

In the Soviet Union, the second condition prevails. Heavy industry is nationalised, but much light industry—often the same range of trades as are carried on co-operatively in France or England—is in the hands of workers' *artels*. These artels work mainly on government contracts, with State credits, as in France, though some produce for the consumers' co-operatives. As they are part of a closely planned economy, they are spared most of the trading risks with which societies in a free economy have to contend. They have, however, the same problems of management, labour adjustment, apprenticeship and workers' control as have the societies of Western Europe. It is largely through their efforts that the peasant arts of Russia—embroidery, rug-making, wood carving and toy making—have been carried on and adapted to modern uses.



In China the development of industrial co-operatives during the long war with Japan received much deserved publicity and served to keep going a skeleton industrial activity, to employ the crowds of refugees from the occupied and fighting zones and to service the Chinese armies. It was a work of magnificent improvisation under conditions of the greatest difficulty. Much of it was inevitably hasty and carried out by people with the sketchiest training in co-operative methods and with such lack of material equipment that modern methods of production were generally out of the question. Now, with the end of the war, comes the need for consolidation, systematisation and the development of central or at least federal services. The improvised workshops have to turn over to the needs of peace and to meet the competition of mass production in the factories of the seaboard cities. Much depends on the skill of the co-operative higher direction and on the possibility of developing a relationship either with the State (as in France) or with an, at present, embryonic consumers' movement, which will give the industrial societies the stable market and financial support they need.

It seems doubtful if there will be any large development of industrial producers' co-operation in those Western countries where industry is already highly developed. It is perhaps significant that apart from some experiments arising out of the great depression none have appeared in America. In Great Britain the nationalisation of heavy industry and the extension of consumer co-operative control over the production of consumer goods seems the more probable line of development. In countries where industrialisation is just beginning and where the State, for one reason or another, desires to avoid the private capital stage in economic development, there does seem scope for a more widespread use of this form, especially in light industry and in industries dispersed through rural areas.

## CHAPTER VI

### CO-OPERATIVE CREDIT AND THE FARMER

THE problem of the man who is trying to get a living from the land is different from that of the town worker. He is limited

by his land, which will only absorb a certain amount of labour and give in return a certain quantity of food and fibre. Even that quantity will vary from year to year according to the weather. If a man wants to get more food from his land, he must put more into it, fertiliser perhaps, or more efficient tools, or extra feed for the animals which till or graze it. These things he must buy. But the processes of agriculture are slow. Seed is sown, and it may be ten months before the crop is harvested. It is ten months before a calf is born, three years more before that calf has a calf of her own and is ready to give milk. While the farmer waits for these processes and for the fruits of his own labours, he and his family must live. When his corn is harvested and his cow in milk, he may eat his own bread, butter and cheese, or he may sell all or part in the nearest town or in some country on the other side of an ocean. A single farmer, selling a small quantity of produce, even in a nearby market, is not in a much stronger position than a single worker selling his labour to an employer.

In the middle of the nineteenth century, the farmers of Western Germany were, as they are to-day, small men. They held a few acres of land under corn, potatoes or vegetables. They might have a few rows of vines. They kept one or two cows and used them to pull the plough. They had a pig and a few fowls. By hard work a family could make a living, provided they had the tools and knew how to use them, and provided they could sell their corn and wine, their eggs and butter, to the best advantage. But, in fact, they were miserable, and the principal cause of their misery was debt.

The farmer began his year's work with the purchase of seed and fertiliser, a new ploughshare, tiles for the barn roof, food for himself and his livestock during the winter. The outlay was considerable and he had no ready money. He bought on credit, like the worker who had had a long spell of unemployment. Because the merchant knew that he could not pay till his crop was harvested in the following year, and because the risks of weather are such that sometimes the best farmer will have no crop to speak of, and because some farmers are dishonest and will not pay even when they can, the merchants charged a price which in fact covered not only the cost of the goods, but an exceedingly stiff rate of interest on the

loan. How stiff, the small farmer very rarely knew. He did not see the merchant's books. He probably would not have understood them if he had seen them. He was not in a position to complain even if he had understood. He took his seed and his ploughshare and hoped that the weather would be kind and that he would get a crop which would enable him to pay his debts and realise something in cash besides. But when he came to market his crop, there was no one to whom he could sell it but the merchant to whom he was indebted. The merchant himself saw to that, and in any case there was probably only one doing business in the village. But if the merchant had charged the highest prices for everything he had sold the farmer, he paid the lowest prices for everything he bought from him. The man was in his hands, and he saw no reason not to press home his advantage.

In these circumstances it is not surprising that the peasants of Western Germany, as indeed of many other countries in Europe as well as in Asia, sank into poverty and hopelessness. Their standards of farming declined (for why farm well in order to make a profit for someone else?) Their lives were squalid and drunken.

Friederich Raiffeisen (1818-1888) was Burgomaster of a group of Rhineland villages. He had had a varied career as soldier, railway contractor (he built the railway along the right bank of the Rhine) and wine merchant; he was a Catholic with a sincere belief in the Christian virtues. He was concerned for the welfare of the people under his care. There were lean years of semi-starvation and he tried various charitable expedients. He saw that they brought no lasting benefit, and that people sank back into their old shiftlessness and dependence on the merchant-usurer.

Raiffeisen saw, first that the peasant farmer must learn to help himself, and secondly, that he could never do so until he had cleared his debts and started afresh with some source of capital that was not the merchant. But none of the peasants had anything he could offer as security for a loan. Few had even a personal character which would give much confidence to a lender. But Raiffeisen reflected that if a whole village could, in effect, be persuaded to go surety for one another, the risk might not be so discouraging. Not all were dishonest or careless.

Those who were would be disciplined by their neighbours as soon as those neighbours realised that the failure of one meant a loss to all.

The result of these reflections was the Co-operative Credit Bank. Like the consumers' co-operative store, it was open to all men of good character living in a single village. Members from a distance were not desired, for mutual knowledge and confidence were essential to the scheme. No shares were subscribed but, unlike the members of a co-operative store, the members of a bank accepted unlimited liability, that is responsibility for the full possible debts and losses of the bank. Much has been written about the moral value of unlimited liability as a training in co-operative responsibility, and the way in which it enabled poor men with no assets to borrow collectively considerable sums of money. There is truth in all this, but it is doubtful whether such ideas were present in Raiffeisen's mind, for in fact, unlimited liability was the rule for business undertakings in Germany in Raiffeisen's day, and he had little choice. As in the consumers' store, each member had one vote, control was in the hands of small management committees (generally only three people) and a larger "supervisory" committee, both elected by the members. Profits were not distributed, but were put to reserve, in order to create a fund from which future loans could be made. Eventually, the rate of interest might be lowered.

The first funds of the society had to be borrowed from outside, probably from Raiffeisen himself or men of his type. Loans were made only to members and after an application had been carefully considered by the committee. The loan was always made for a particular purpose, and that purpose had to be "productive" in character, that is to say, it must earn its own repayment, together with a reasonable rate of interest. Seed for the harvest came into this category, a cow, a plough, repairs to farm buildings. Household expenses did not, nor a piece of parlour furniture nor a wedding feast. Loans might be short term, for the production of a single crop, or medium term, for the two or three years that would bring a cow into full production. No loans were made for a longer period and none were secured by a mortgage on land or other property. The society did not want its limited funds

tied up and it would have been embarrassed to find itself the owner of forfeited land. Instead, the borrower first gave his own solemn undertaking to repay. Then he brought two neighbours, who pledged themselves to repay if he failed. If all three could not or would not honour their engagements, then unlimited liability came into play and all the members of the society would contribute to meet the loss. Meantime the two sureties, and indeed most of the other members, would keep alert eyes on the way in which loans were being expended. They would assure themselves not only that the seed or cow had been bought, but that the crop and the animal were being well cared for and earning their interest.

From all this the farmer benefited in several ways. He had capital at a low rate of interest. He could bargain for his supplies, buy them at a reasonable rate, and pay cash. He could sell his crops or his cheese to whom he wished and receive cash for them. Mutual supervision, as well as better supplies, raised the standard of farming. Before long the credit banks were not only accumulating reserves; they were drawing in deposits from those in the village—the schoolmaster, the stationmaster, the policeman—who were paid regularly and had something to save. In this way the village became financially independent.

The next step was to link the village banks together in a federation. This had great advantages. Central advisory and auditing services could be set up, with a uniform system of bookkeeping and a measure of inspection. At the same time, it became possible to pool resources. Long established banks in villages where the farmers had grown thrifty and relatively prosperous, would often have a balance of deposits over loans. If these could be re-invested in a regional bank, they would earn a small interest and could be used to lend to village banks which were more recently formed. New banks would probably be short of cash, and old banks might exist in districts where either poverty made the demand for credit more acute or some actual change or development in farming practice called for larger investments of capital. (An instance of this in later years was the market gardening district of the Netherlands, where the new capital needed for glass houses and similar expensive equipment was a continuous investment for savings

from the more stable farming provinces.) The final stage was the addition of a national agricultural credit bank, pooling the resources and needs of the regions.

Another new development was that, whereas at first most of the members would borrow small sums round about the same time for the same purpose—generally the purchase of seed or fertiliser—and would then make their purchases individually, it was discovered that considerable economies could be effected if the secretary of the bank ordered a truckload of fertiliser from some wholesale firm and allowed the members to collect their loan in kind. The entry in the books of the bank remained a cash entry and would be repaid in cash after the harvest had been sold. The next step would be to set up a regional wholesale organisation, quite distinct from the regional bank, which would keep seeds, feeding stuffs, fertilisers and agricultural implements in stock for delivery to farmers through the village banks.

The change which these measures brought about in the villages in Germany is well shown by the following description of conditions before and after their adoption.

“rickety buildings, untidy yards . . . the inhabitants themselves ragged and immoral; drunkenness and quarrelling universal . . . Agricultural implements were scanty and dilapidated, and badly worked fields brought in poor returns. To-day Anhausen is a clean and friendly looking village, the buildings well kept . . . The inhabitants are well if simply clothed, and their manners are reputable . . . Modern implements are used by nearly every farmer, the value of the farms has risen, and the fields, carefully and thoroughly cultivated, yield large crops. And this change, which is something more than statistics can express, is the work of a simple Raiffeisen bank.”<sup>1</sup>

Agricultural co-operative credit in its purest form, as described in the foregoing paragraphs, is to be found in a number of European countries, as for example, the Netherlands and Czechoslovakia. The movement has always been self-governing and self-supporting, and has encouraged thrift

<sup>1</sup> Quoted in *Co-operation at Home and Abroad*, by C. R. Fay, 1908.



with such success that a considerable surplus was available for investment in the Netherlands in a separate Co-operative Mortgage Bank, and in Czechoslovakia, in Government securities. But in Germany, where the movement originated, the general German tendency to rely on the State, as well as the special circumstance of the wiping out of all savings by the currency inflation after the First World War, resulted, even before the rise of the Nazi party, in an increasing dependence on the State for financial help. This was provided by the Prussian State Bank or Preussenkasse, which practically became the central bank of the movement. This did not, of course, imply that the village banking system was valueless, or unco-operative. It did, however, mean that it lacked something in independence and did not give its members quite the training in personal responsibility for the success of their movement which they would have got from complete financial self-reliance.

The agricultural credit organisation of France is similarly state aided, and indeed in that country the initiative came from the State rather than from private individuals. There, although village banks and village committees exist, the regional bank is the key institution, exercising real control over credit policy. Loans are made at short, medium and long term (that is up to ten years) to farmers who are members of village banks, always on their personal security, counter-signed, it is interesting to note, by their wives. There are, however, also loans to groups of farmers who want to carry out some co-operative services such as running a mill or a wine press. More will be said of such enterprises in a later chapter.

The French system has been adopted, with certain modifications, in the French Colonies and in certain other countries, such as Egypt and Greece. Elsewhere the German movement has been the model, although very similar ideas seem to have occurred about the same time to agricultural reformers in Poland, Czechoslovakia and other countries, and what they borrowed from Germany was not so much the original inspiration as the detailed experience of structure, rules and methods of accountancy. Most of the credit movements in countries like Poland and Czechoslovakia, which were not self-governing at the time when they were initiated, had of necessity to be



self-supporting and self-sufficient. They were indeed a focus of national feeling and a training in democratic methods and administrative responsibility, which proved its value when these countries achieved their independence after the First World War. Further east, in the small independent countries of the Balkans, where peasant poverty was greater than in Central and Western Europe, and moneyed philanthropists unknown, most of the co-operative credit movements depended, almost inevitably, on state loans, though the gradual building up of deposits has always been one of their objects. The active and successful agricultural credit movements of Belgium and South Holland, and the rather lifeless Spanish and Portuguese movements were linked with essentially Catholic organisations of the farming community. The Spanish "positos" indeed had a history going back to the Middle Ages and were due for modernisation. In Denmark, Norway and the British Isles, there was no agricultural co-operative credit movement, mainly because other institutions, the country branches of joint stock banks in England, the municipal banks of Norway, were doing the same work reasonably well.

Perhaps the most interesting extension of co-operation on the German pattern took place in the early years of the present century when the system was transferred bodily to the primitive peasantry of Asia. The initiative was European, not Indian. The Indian peasant had endured for centuries as heavy a burden of debt and a more crushing poverty than the European. He was at the mercy of the moneylender, who was also a grain dealer. In some provinces he was, likewise, at the mercy of his landlord, who was also a moneylender; even more than the European, he was a bad economist, prone to waste his slender resources and costly borrowings on useless ceremonies and even more useless litigation. Sir F. Nicholson was sent by the Government of India to study European methods of relieving the peasant of debt. His Report of 1895-97 advocated the introduction of the Raiffeisen system into India. Experiments were made in the Punjab, the United Provinces and Bengal. They were not uniformly successful but they were promising enough to justify the passing, in 1904, of a Co-operative Credit Societies Act.

This provided for the appointment of a Registrar of

Co-operative Societies in each Indian Province. It had been assumed that these officials would exercise little more than the sort of remote control, the formal application of the law, which is the function of their British counterpart, and that the work of local propaganda, organisation and supervision would, as in Europe, be undertaken by local volunteers. To some extent this hope has been realised, but it became plain that, in the early stages at least, the mass of illiterate and helpless peasants who could be aided by co-operation, was far greater than could be handled by the few Indians who were at the same time educated, leisured, public-spirited and willing to spend their lives in the countryside. Little by little the Registrars took on an increasingly active role in the promotion and supervision of the growing co-operative movement. It was realised that there were dangers in running a co-operative movement through an official bureaucracy, however self-effacing, but stimulus and guidance were needed if the Indian peasant was ever to be roused to improve his own lot. The staff was from the first Indian in all but a few appointments and is now Indian throughout.

On the whole the movement has had remarkable success. By the end of 1943 there were more than 95,000 village credit banks in India, with a membership of 34,600,000. These are grouped in central and provincial co-operative banks which are in turn linked with the Reserve Bank of India. In British India the actual funds, however, are only to a very small extent derived from the State. (In the Indian States this is not the case.) The village banks never succeeded, it is true, in attracting substantial deposits; the central banks were able to draw on considerable private resources through shares and deposits, and this has always been the basis of co-operative lending in India. In 1942-43 the loans outstanding to members of agricultural credit societies were Rs. 1582.06 lakhs (£11,865,450). To realise the greatness of this achievement it is necessary to remember not only the extreme poverty of most Indian villages, but the villagers' inexperience of any kind of business or public responsibility, and their general illiteracy. It has been recorded that in villages where no single person could read or write, the officers of a credit bank would hold, with the retentive illiterate memory, all the details of

loans and deposits in their heads until some literate person passed through the village, when they would ask him to write them down. When the next literate passed by, however, they would ask him to read the record back to them to make sure that no error or sharp practice had crept in.

Success was not unqualified. In some provinces (notably the Punjab), a series of able and devoted Registrars succeeded in training staff of high quality, who in turn brought the Indian villager to fair standards of understanding and responsibility. There were, however, many districts in which co-operation was and has remained very little more than a source of small loans at moderate interest which the cultivator is under all too little compulsion to repay. It is significant that of the outstanding loans referred to above, nearly half were overdue. The borrowers were not necessarily defaulters, but they had asked for and received extensions of the period in which their loans should be repaid, and this is a mark either of slackness, or of unwisdom in the grant of the original loan. The membership, too, large as it appears by European standards, does not in fact touch much more than 5 per cent of the rural population.

Indian co-operators and civil servants are aware of the ways in which the Indian movement has failed to achieve all that was hoped of it. Successive Registrars' Conferences have discussed its shortcomings, as well as the more hopeful developments, especially on non-credit lines, which have appeared in recent years and will be described in a later chapter. A recent survey<sup>1</sup> was made by the Reserve Bank of India "as a background to the advance which the Reserve Bank is called upon to tender" and found that recent depression and legislation to relieve peasants of their debts had borne hardly on the movement, but that the root of the trouble lay in a certain indifference to co-operative principles in the preceding years of comparative prosperity. The review also calls attention to the successful methods of rehabilitation and reconstruction which have been carried through, each in its own way, by the Indian provinces. The co-operative credit movement in India was faced with an extremely difficult problem on a huge scale, among a people with no training in business or self-help. It has for the first time put a check on the power of the money-

<sup>1</sup> *Review of the Co-operative Movement in India, 1939-40.*

lender and given a measure of economic education to the peasant. Its career has so far been less than half as long as that of the British co-operative movement, and it is by no means a spent force.

Co-operative credit has been introduced in other Asiatic countries besides India. In Ceylon, perhaps because the field of operation was smaller and more manageable, perhaps because the people took more readily to co-operative methods, the movement has gone ahead with less to criticise and fewer halts for reorganisation. In Malaya it had achieved, before the Japanese invasion, a remarkable success among Malays, Indians and Chinese alike. Not only was it independent of all State funds, but had itself large surplus deposits invested in government securities. Japanese occupation suspended the work of the movement, threw the Registrar and his staff into a concentration camp, destroyed the records of the societies, and caused the death of many co-operative workers, deported to labour on the deadly Siam railway. But it did not destroy co-operative loyalty, and the societies are now being patiently and successfully reconstructed.

In the Philippines, the Netherlands East Indies and French Indo-China, the first agricultural credit systems established were much more closely controlled by the State than those in British countries, and less effort was made to train the people in co-operative responsibility. In the Netherlands East Indies, however, the administration changed its policy about 1927, and after sending its officials to study the Indian system, began a gradual conversion to genuine co-operation. In Japan, a co-operative credit movement, somewhat on French lines, was particularly effective and comprehensive. It was State-authorized and approved, but not State run, although the extension of Japanese co-operation to Korea was an official measure, and never evoked much spontaneous response from the Koreans. In China the initiative came, not from the State, but from the China International Famine Relief Commission and from some of the universities. Later, the League of Nations set up a Co-operative Adviser to the Chinese Government, who for several years guided and encouraged the movement. As in India, there was no difficulty in securing funds from unofficial sources, indeed the banks were almost embarrassingly

eager to lend money to co-operative credit societies. The Chinese peasant proved an honest and punctual borrower and repayer, but the long period of war, inflation and population movement has borne hardly on the young co-operative credit societies. There has been little opportunity to train staffs, none to centralise or supervise. A sound national co-operative credit movement in China has still to be created.

More recently the system has been introduced into Africa. With the experience of India and other countries available, it was decided to go slowly and avoid anything like the mass production of societies. At first, indeed, it was doubted whether any widespread indebtedness existed in the simpler African society, and other forms of co-operation seemed a more urgent need. Some of the earlier African credit societies were among salary-earners, including minor government employees, rather than among cultivators. Now, however, with closer study, it is being realised that there is a debt problem also in Africa, especially where the Indian trader controls the peasant's buying and selling, and the problem is to get co-operation successfully introduced before the evils of the money-lending and credit trading system have grown too deeply into the social system.

In the New World credit has not been the foundation of the co-operative movement, except in Quebec and Nova Scotia. Here something like the peasant, or at any rate family farming conditions of Europe are combined with the strong moral influence of the Catholic Church which, as in Belgium, has made co-operation an integral part, if not the keystone, of its work for rural social welfare. The achievements of Nova Scotia are more recent than those of Quebec, but, partly because it is an English-speaking, not a French-speaking movement, partly because it was based on a remarkable campaign of adult education, not specifically Catholic and so suitable for imitation anywhere, it has had more influence in other countries, especially the United States.

In spite of some interesting local organisation carried through under the influence of Nova Scotia and its University at Antigonish, the bulk of farm credit made available to American agriculturists is derived from State funds disbursed from the Farm Credit Administration through regional and

local banks, which do, indeed, have some features of local control, but are rather more remote from the original Raiffeisen conception than the agricultural credit banks of France, which in some ways they resemble. This is not to say that the Farm Credit Administration has not done extremely valuable work. Apart altogether from its financial service has been the stimulation, criticism and advice to farmers' co-operative societies, formed for purposes other than credit, which are among those entitled to borrow from the Administration. Several South American countries have made tentative beginnings with the organisation of credit co-operation, and in some countries progress has been made, especially among the settlers of Italian or German origin in Brazil.

## CHAPTER VII

### CREDIT FOR THE WORKER

ABOUT the same time as Raiffeisen was beginning his work among the Rhineland peasants, another German, Schulze-Delitzsch (1808-1883), a judge and member of the Prussian Parliament, had been appointed chairman in 1848 of a Commission of Enquiry into the condition of labourers and of the independent artisans and tradesmen who were and still are more important in German economy than in that of England. As evidence accumulated before the Commission, Schulze-Delitzsch, like Raiffeisen, became convinced that debt was the root of most of the poverty and insecurity among the people whom he was trying to serve. Quite independently, he arrived at the idea of the co-operative credit society. His societies were on somewhat different lines to those of Raiffeisen. He was less interested in the moral welfare of members than in providing them with a sound financial foundation for their business activities. He himself insisted on unlimited liability, but as German law developed, his banks gradually transferred to a basis of limited liability more appropriate to the scale of their operations and the varied character of their membership. He did not restrict participation to a single district or to men who were personally known to one another. Many of his banks were in large towns and were encouraged to build up to a



fairly wide membership. In one respect he was more austere than Raiffeisen. As a convinced Liberal, with all that that implied in his period, he steadily refused State aid for his banks. They were to be sufficiently well-managed, sufficiently judicious in their choice of members and of the objects for which they would advance money, to command the confidence of their members and of the public, and draw upon them for the capital they needed. The experiences of war, inflation and, finally, under Nazi regime, forcible amalgamation of the rural section of the Schulze-Delitzsch Bank with the Raiffeisen banks, finally broke down this position, but during the founder's life and the formative years of the organisation, it was maintained.

The object of these banks differed little from that of the Raiffeisen banks. It was to lend comparatively small sums of money for productive expenditure—leather for the shoemaker, cloth for the tailor, tools, the rent of a workshop, a printing press and type, the stock-in-trade of a small store. Repayment was, in general, fixed for a period when the goods were sold, but the form which credit might take varied considerably and included the straight loan, the drawing account and the discounted bill. The movement was not purely urban. There were also farmers' banks, though they attracted the bigger farmers, rather than the small peasants who, at that time, were best handled on the paternal Raiffeisen lines. Even where there was limited liability, there was also shareholding by members on a scale which, though not high by capitalist standards, was high enough to cut out the man who was wholly without cash resources.

The Schulze-Delitzsch movement progressed to regional and national advisory organisations. It developed like the Raiffeisen movement, that characteristically German piece of machinery, the Auditing Union, a federal body undertaking the audit of local bank accounts and the general supervision of their activities, thus keeping them free of the more mechanical and hampering control of the State. But it never, except in the case of the agricultural banks after their amalgamation with the Raiffeisen group, evolved any federal banking system. Each bank was and remained sufficient to itself.

A later development on the part of the industrial groups was the setting up of their own wholesale purchasing organisa-



tions, quite distinct from the banks, and engaged in buying the raw materials of industry and the stock-in-trade of retail businesses on behalf of their members. Immediately before the Second World War, German private shopkeeping was strongly organised on these lines, with the express purpose of strengthening the individual trader against multiple shops and consumers' co-operatives. To some this will seem a perversion of co-operation, but from the German point of view, strengthened by the National Socialist outlook, the small shopkeeper was in a position no different to that of the small farmer and was equally entitled to obtain credit or buy raw materials through his co-operative society.

The idea of urban credit or "people's" banks spread to other European countries and was developed with outstanding success in Northern Italy by Luzzatti, a liberal statesman who had held various offices, including that of prime minister. He introduced limited liability from the first, reduced initial shareholding, and laid stress on the need for unpaid officials and more democratic managements, but the main purpose and method of his banks was the same as those of Schulze-Delitzsch.

There are People's Banks in a number of other countries, in France, Switzerland, Belgium and some of the countries of Eastern Europe. They are successful within limits, but not of the same national importance as their agricultural counterparts. They have always stood rather apart from the main co-operative movements of their countries, since their membership of small traders and business men has little in common either with the working class consumers or the agriculturists. The movement belongs essentially to a phase of economic development which is passing, to the small workshop and the immature banking system. In an industrially and financially advanced country like Britain they have never taken hold. Here mass production and the chain store (including those concealed chains in which branch stores continue to bear the name of their former owners) have taken the place of co-operative organisation by traders, and the banking system has for many years been adapted to the service of business, both small and large.

An important development, quite different in character, has been that of Credit Unions in the United States. The German example and application to agricultural communities

in Quebec was known in the United States, and there were some local adaptations. A Credit Union Law was passed in Massachusetts in 1909. By 1921, three other states, all on the eastern seaboard, had passed similar laws, and there were some 200 Credit Unions in existence with 72,000 members and assets amounting to some £2,000,000. In that year a Credit Union National Extension Bureau was set up, and thereafter progress was rapid. The pioneers of the movement were Alphonse Desjardins, the originator of the Quebec movement, Pierre Jay, Bank Commissioner for Massachusetts, and E. A. Filene, a New England business man and philanthropist who had seen co-operative credit at work in India.

The Credit Union National Extension Bureau was an educational and propagandist body which, in its early stages at least, was financed by Filene. Its first aim was to secure the adoption of Credit Union laws by as many American states as possible. In this it had considerable success, thirty-two states passing such laws within the next few years. The second task of the Bureau was to see that the laws were in fact used and that a healthy crop of Credit Unions, with some kind of federal organisation to promote and supervise their activities, sprang up in each state.

As in Europe, the main business of co-operative credit was to combat usury, which in America took the form not only of loans from moneylenders, but of the old evil of credit trading, greatly expanded by the hire purchase system. This had become a means of inducing, by the methods of high pressure salesmanship, people of small means and limited experience to equip themselves and their homes with the comforts and luxuries considered essential to the American way of life. It had undoubtedly helped to raise the standard of living and the possibilities of leisure for Americans, but it had done so on what was often an extremely unsound financial basis. The hire purchaser dependent on a small salary, might have a house resplendent with vacuum cleaner, refrigerator and electric iron, none of them fully paid for, and might be wholly without resources to meet temporary unemployment or any emergency, such as illness, demanding cash expenditure. Shopkeepers' credit for daily purchases was no less an evil than in the days of Rochdale.

Filene and his friends did not tackle this problem as the

pioneers had tackled it, by the establishment of consumers' stores. The American tradition of private enterprise in trade was doubtless too strong. The workers themselves would not, perhaps, have had the necessary perseverance or the stability of employment and residence which successful consumers' co-operation requires. The Credit Union approached the problem from the other end. It stimulated thrift (the Unions were savings banks as well as, sometimes more than, lending institutions), and it provided loans at reasonable and clearly understood rates of interest for legitimate expenditure beyond the scope of the regular pay packet.

The movement broke new ground in two ways. The members were nearly all wage-earners. They had no business of their own, agricultural or industrial. They were not borrowing to buy tools or raw materials which would later produce saleable articles and earn their own cost and the interest on the loan. The Credit Union could not lend for "productive" but only for "provident" purposes. It was, in fact, a method of anticipating savings and then making those savings virtually compulsory by earmarking them as the service of a loan. As the members were for the most part employees, it was natural that they should be organised in most cases at their place of work rather than in their home neighbourhoods. Many employers favoured the movement, gave opportunities for the organisers from the Extension Bureau to expound its merits and arranged, with the workers' consent, for the deduction of contributions from the worker's pay packet before he received it.

Credit Unions spread rapidly among the employees of the post office, the railways, the telephone companies and the big department stores. There were also local groupings, Catholic parishes, for example, and racial groupings, including those of coloured workers. In less than ten years the number of Credit Unions had multiplied six times, the number of members and the assets between four and five times. The great slump of 1929-30 shattered an appreciable part of the American private banking system and shook the rest. It is said that not a single Credit Union failed. By 1938 the Credit Unions numbered 7,100, organised in forty-four regional federations. They had some 2,000,000 members and a turnover of approximately £50,000,000.

The United States has been the pioneer in the provision of co-operative credit to the industrial wage-earner. It is true that the development of credit societies among civil servants, police and estate labourers in Malaya, at a somewhat earlier date, was based on identical principles of thrift and the "provident" loan. This might have been ignored as coming from a setting too exotic for European imitation. It is strange, however, that neither the American example nor the force of circumstances has suggested the development of workers' credit societies in Great Britain or other European countries.

It is true that thrift is fairly well cared for through the C.W.S. Bank, facilities for deposits in retail co-operative societies, Building Societies, the Post Office Savings Bank and latterly through the whole apparatus of War Savings. But none of these agencies except the Building Societies fulfil the other function of a Credit Union and make loans. Building Societies only do so for one purpose and on the security of a mortgage. Consumers' co-operatives, in their earlier years, did much to check the evil of credit trading by taking a stern line with their members and insisting on cash payments. In recent years they have relaxed somewhat. The standard of cash payment for daily needs is still good, although weekly accounts are permitted, but the organisation of mutuality clubs has brought the hire purchase system openly into the co-operative movement.

In spite of all this, however, it is well known that the problem of indebtedness and the scandal of the moneylender continues in Britain and is a considerable source of social evil. Credit Unions might be sponsored by the consumers' co-operative movement, by the war savings organisation, or by the two acting in conjunction. So far no move has been made by either.

## CHAPTER VIII

### INSURANCE

IN addition to credit and banking, another financial service has been developed on co-operative lines among both industrial and agricultural workers. This is insurance. In fact the term covers not one, but a considerable range of services. The

worker or the farmer may want to insure his life in order that his dependants may not be left penniless in the event of his death. More modestly, he may be anxious lest his funeral expenses overburden a small income. He may want to insure not only against death but against ill-health and personal accidents. Such insurance may be connected with the compulsory schemes of social insurance carried on by the State, and including risks of unemployment as well as physical incapacity. There are, in addition, a number of business risks against some of which (injury to third parties, for example) insurance is compulsory. Most of these do not affect the salaried worker, though he may be glad to insure his private house and furniture against fire. They are, however, of great importance to the independent farmer, who may sustain swift and irreparable loss if his farmhouse and buildings are destroyed by fire, his crops by hail, or his livestock by disease or accident. Further, the co-operative society as such has buildings and stocks to insure against fire, employers' liability for injured workers to cover, ships and goods in transit to insure against marine risks. Here is a wide field for co-operative activity.

In Great Britain the principal organisation concerned is the Co-operative Insurance Society, founded in 1867 as a federal society, but after nearly fifty years of slow progress taken over by the two Wholesale Societies in 1913. It is managed by the Finance Committee of the C.W.S., together with two representatives of the S.C.W.S., and in these conditions has made rapid progress, so that by 1945 it stood third in the list of insurance companies handling industrial life insurance (that is insurance of people with small incomes) and fifth in the list of insurance companies of all kinds. By 1945 premium income stood at £14,697,411, while the assets of the Society amounted to over £65,000,000. Nearly two-thirds of the business of the Society is in industrial life insurance, one-fifth in ordinary life insurance and the rest in motor insurance, in the insurance of the business risks of co-operative societies and in collective life insurance. This last is a scheme by which a retail co-operative society can pay a premium which provides automatically for a small life insurance for every member of the society, the actual sum paid being calculated in proportion to the member's average annual purchases from the society in the three years

before his death. The Insurance Society keeps contact with its clients through agents and collectors, like other insurance companies. It has never been a member of the "tariff associations" which fix the price of insurance among the private companies and so is free to compete for business both inside and outside the co-operative movement. It has never encouraged its agents to press insurance upon those who will not be able to maintain payments.

In addition to the Insurance Society, the C.W.S. has maintained, since the passing of the National Insurance Act in 1911, an "approved society" in the form of the Health Insurance Section of the C.W.S. In accordance with the law, the formal control of this section has been in the hands of the insured, but in practice, they elect the Directors of the C.W.S. as their general committee. The new legislation in the whole field of social insurance will of course alter the position of the Health Insurance Section.

In 1910 a group of farmers in the West Midlands established the National Farmers' Union Mutual Insurance Society, Ltd. It extended its operations, largely through its association with the National Farmers' Union, the branches of which act as its agents, and in 1945 had a membership of over 80,000 policy holders, a premium income of £1,440,716 and assets of £3,337,619. The Society is able to run very economically and to offer insurance at rates below those of most private companies. It undertakes farmers' life and accident insurance, fire, employers' liability and car and tractor, livestock and hail insurance. A smaller organisation, the Agricultural and General Co-operative Insurance Society, dates from 1908 and operates mainly in Lancashire, and a fourth organisation, for the co-operative insurance of fishing vessels, has worked on a modest scale for some twenty years.

Co-operative insurance of one type or another occurs in some thirty-five countries and has taken shape in 150 national or at least large scale organisations, of which the first, a society for the insurance of livestock, was founded in Denmark as long ago as 1812. Societies for personal insurance (life, accident, sickness and fire) exist in a dozen European countries, and are not only closely associated with the consumers' co-operative movement, but are themselves in the strictest sense consumers'



societies, since they are founded and managed exclusively by the insured. They exist among industrial workers and the less well paid professional classes. Some particularly successful societies of this type have been set up in Bulgaria, mainly by civil servants and school teachers, and their operations extend from the provision of a simple cash insurance to the building for their members of seaside convalescent and holiday homes, as well as sanatoria and curative establishments at the Bulgarian spas. In some countries co-operative insurance is worked in collaboration with the trade unions, or a trade union may, on its own responsibility, establish a co-operative society to provide pensions and death benefits for its members.

Co-operative insurance in agriculture is to be found in most European countries, as well as in the United States, Canada, Australia, India and Palestine. The tendency of agricultural insurance is to be professional rather than personal. Wherever farming is a family industry, and particularly where there is peasant proprietorship or at least reasonable security of tenure, the death or incapacity of the head of the household is not the overwhelming economic disaster that it may be under conditions of industrial employment, where the family group is looser and maintenance of the young and old may depend on a single pair of hands. In peasant economy the same family group will probably continue under all circumstances to be supported by the same patch of land; only the personality of its leading member will change. Consequently it is insurance of irreplaceable property, without which the farm may cease to support those who cultivate it, rather than insurance of the perhaps too easily replaceable life, that is first sought in agricultural communities.

It is, however, just this type of insurance which the ordinary commercial companies are least ready to provide. The risks are considerable and the costs great as long as ordinary commercial methods are pursued. In particular each individual insurance is very small, the difficulty of ordinary supervision is almost insuperable, and the risk of fraud consequently great. When, however, the insurance is provided, not by a great urban company operating through paid agents, but by a small local society, of which the officials are volunteers and all the members well known to each other, both these difficulties disappear.



Under these circumstances, far greater care can be exercised in the selection of risks. It is possible to proceed, as the French regulations put it, by "pitilessly rejecting all persons of doubtful morality, intriguers, those inclined to quarrels and lawsuits, given to drunkenness, involved in debt, likely to profit by a fire, insuring themselves through fear of some personal enmity, or exercising insufficient care."

But it is not only that the initial selection can be more carefully made. The subsequent supervision is far easier when the insured are all neighbours, all conscious of at least some elementary duty to one another, all ready at least to see that one of their number does not damage the common interests. And, by an agreeable paradox, as the security is increased, the cost is lowered. In France, in case of a fire, the society must be notified within forty-eight hours, and the damage is estimated by two volunteer valuers, chosen by the society, not necessarily from among its members, but preferably from among those who were present at the fire and helped to put it out. Here again great stress is laid on the moral character of those selected. In the case of livestock insurance, where the valuation of stock and the assessment of loss present peculiar difficulties, the general method of control is that every three months a group of qualified volunteer members (not necessarily the committee) should inspect the livestock insured in each village. The visitation usually takes place on a Sunday morning, the valuers inspecting the cattle in the pasture and the horses assembled in the village. The premium to be charged and the compensation (not exceeding 80 per cent of the total value) are fixed accordingly.

Insurance against fire is most widespread, and as the risks are known and generalised, it is fairly easy to reach a sound actuarial basis. The premium may vary from 1 per cent of the value of stone-built dwellings to as much as 16 per cent for ricks and standing corn. The local societies reinsure with a regional society, the regional societies with one or more national societies, or in some cases with large private companies of good reputation. In countries like Canada or the Baltic lands, where buildings are of timber, fire insurance was an urgent need and developed early.

Canadian co-operative insurance takes the form of a single

organisation, originally local, now national in scope, handling fire and wind insurance and a few other lines. Originally all members were insured for three years for £250, each giving a note for £4. On these notes and on the personal security of the directors, funds were borrowed from a bank to meet losses during the year, the debt being settled by a levy up to a maximum of the amount of the note from each member. The notes were destroyed and renewed every three years. This system is still continued, the notes usually covering about one-fifth of the value of the property insured. Insurance is also issued on the ordinary system of cash payments.

Livestock insurance is not so easy or so widespread. In some countries informal local groups are numerous and are generally conducted in a very primitive manner. Sometimes no premiums are paid, the livestock of members is simply valued, and when a death takes place the loss is assessed and the members are levied for the amount. This system works well enough so long as there is no heavy or exceptional mortality from flood or epidemic. When such a catastrophe occurs, the society generally dissolves. The more developed type of society follows the lines of those covering fire risks, and there is an elaborate system of re-insurance, or in some countries, a national society spreading its risks over a wide area.

The third great agricultural risk after fire and disease, is weather. In Northern countries like Denmark and Canada, windstorm may be the principal danger, and special societies exist to insure against it. In Central and Southern Europe, hail, which falls in spring and summer, when blossom is setting and crops are ripening, is the more formidable danger. Voluntary insurance, though attempted, is peculiarly difficult, since for reasons which are not fully understood, hail tends to fall year after year in the same small pockets of land, which consequently bear a risk far heavier than that of the surrounding country. The owners of such land are perfectly familiar with the risk and ready enough to insure. Their neighbours a few miles away are not. Under these circumstances the cost of insuring field crops is very high, that of vines almost prohibitive. On the whole, and in spite of considerable local results, the general opinion seems to be that no substantial progress can be made in hail insurance in such countries unless it is made

compulsory, in which case a very small general premium would suffice to safeguard areas of special danger.

In many European countries a further class of insurance exists which is becoming of increasing importance to the agriculturist. The liability of the employer to compensate the worker for injuries sustained in his service has for many years applied alike to the agricultural and industrial employer in Great Britain and other countries. It is usual to insure against this risk and the insurance may be co-operative or commercial. In France the "approved society" handling the workers' health insurance takes on a new shape in agriculture. In the first place it includes a form of contributory old age pension; in the second, the co-operative insurance society plays an essential part in the scheme; in the third, these societies are formed with an equal representation of employers and employed. Their joint committees, on which both parties are equally represented, run particularly well in those districts of France where farms are small; most labourers hope in time to become farmers, and class distinctions are consequently fluid. These societies also provide for voluntary insurance of themselves and their families by independent small farmers, and this practice is growing, although such insurances are still principally coming from those with large families or poor health or both, a socially desirable but actuarially disconcerting phase which it is hoped will not be permanent. A final form of co-operative social insurance is perhaps hardly an insurance, since the element of risk can scarcely be said to enter in. It is a fully co-operative method of pooling the cost of family allowances, amongst the agricultural employers from whom these payments are due. It benefits the employers, since a farmer whose labourers happen to be men with large families, no longer has to bear a disproportionate addition to his wages bill, and it benefits the labourer, since without some such pooling scheme the man with many children might find it hard to get employment at all.

Another class to whom co-operative insurance has proved of value in several countries is that of fishermen. The risks are here, by the nature of the occupation, very considerable, but it has been found possible in different countries to insure both the lives of fishermen and fishing vessels. Fishing gear,

especially nets, is subject to so high a wastage, and its loss is so difficult to check, that it has proved practically uninsurable.

In the years before the Second World War, the value of lives and property co-operatively insured was in the region of £550,000,000, of which nearly half was fire insurance, more than a quarter life insurance and the greater part of the remainder insurance against accidents to human beings or loss of livestock.

## CHAPTER IX

### THE SUPPLY OF FARM REQUIREMENTS

IT has been shown how co-operative credit societies make loans to farmers in order that they may purchase the raw materials and tools of their industry and how from making a number of small loans for the same purpose the co-operative society may go on to ordering a bulk consignment of fertiliser or seed and distributing the loan in cash instead of kind. The same service may be approached directly, without the preliminary of a credit-giving organisation.

In Great Britain the idea of extending co-operation from the industrial consumer to the farmer first arose among the leaders of the consumers' movement. The earliest idea was the establishment of co-operative farming societies or colonies. One or two were actually formed, and had long and successful careers, but they were not widely imitated. In 1867, however, Edward Owen Greening founded the Agricultural and Horticultural Association in London, which for nearly fifty years sold agricultural supplies to a membership of more than 4,000 farmers, mostly in the Home Counties. It laid special stress on quality and purity and employed a professional analyst, for this was before the passing of the Fertiliser and Feeding Stuffs Act, and farmers were much exposed to frauds for which no convenient legal redress existed.

Three years later strong feeling was aroused in Cumberland by certain fraudulent sales of fertiliser, and a group of farmers at Aspatria combined to order a shipload for which an analysis had been obtained. This led to the formation of a co-operative society, which still exists. It was followed by four others in

the same area, and by a few more in different parts of the country. It was not, however, until 1891 that the Central Chamber of Agriculture appointed a Committee to enquire into co-operative purchase. At that time some thirty farmers' organisations existed, some of them registered as companies.

In 1894 the Irish Agricultural Organisation Society was founded by Horace Plunkett, and it was immediately plain that agricultural co-operation had found a bold and powerful advocate, whose influence would make itself felt throughout the British Isles and beyond. Plunkett, the son of an Irish landowner, had spent much of his youth ranching in the wilds of Wyoming, but while still at Oxford he had come into contact with co-operative ideas and had established a co-operative store on his father's estate at Dunsany, in Co. Meath. It had been a success, and when family obligations brought him back from America in 1889, he found scope for his energies and his strong sense of social duty in promoting co-operative societies among Irish farmers.

Irish agriculture was passing through two revolutions: first, the gradual transfer of the land to the peasant, by the establishment of security of tenure and later by purchase, and secondly, the mechanisation of the dairy and bacon industry. Plunkett's original idea was to introduce consumers' stores on the English model, in order that the farmer might spend his income to the best advantage, and extricate himself from the clutches of the gombeenman, the merchant-usurer, who dominated the Irish as he dominated the German or Indian village. But the forces against such a development were strong, ties of kinship, the conviviality of the gombeenman's shop, which was also a public-house, the fact that the gombeenman, as the only man of comparative wealth in the village, was often the leading supporter of the Nationalist Party or the Catholic Church, all made a frontal attack difficult. A better opening was found in the organisation of creameries, of which more will be said in a later chapter.

Plunkett, however, had broken new ground in another direction. The idea of an Agricultural Organisation Society, an unofficial association with a membership, partly of enthusiastic individuals, partly of newly-formed co-operative societies working for the promotion of co-operation among farmers as

well as for its subsequent servicing and supervision, was new and fruitful. In 1900 a corresponding body was set up in England, followed by one in Scotland in 1905 and one in Wales in 1921. Although these societies found a certain number of farmers' co-operatives already in existence, it is to their activity, carried on intensively between 1900 and 1924, that the British agricultural co-operative movement mainly owes its existence. For the first nine years the A.O.S. was a private body financed by voluntary subscriptions. In 1909 it received a government grant, which was continued and increased until the end of the First World War. In 1919-23, however, a period of reduced public expenditure and small official sympathy for co-operation, the grant was gradually withdrawn and the A.O.S., failing to attract adequate voluntary support, was dissolved.

For the next twenty years the English agricultural movement was once more without leadership or central organisation, although a Co-operation Committee existed in the National Farmers' Union, and performed limited functions. In Scotland and Wales, the Agricultural Organisation Societies survived and did excellent work, the S.A.O.S. concentrating for a number of years on the agricultural problems of the Highlands and Islands, and the W.A.O.S. establishing a very interesting and fruitful link with the Agricultural Economics Department of the University of Wales in Aberystwyth. In 1945, however, a prolonged agitation among agricultural co-operative societies, especially in England, the pioneering work of the Agricultural Co-operative Managers' Association (founded in 1937) and the growth in the N.F.U. of a much more positive attitude to co-operation, led to the formation of the Agricultural Co-operative Association, a federation of farmers' co-operatives of all types, financially self-supporting and prepared to rally co-operative opinion, represent the interests of the movement and assist with its internal development.

Agricultural co-operation in Great Britain, though it includes societies performing a variety of services, is dominated by the large farmers' supply associations. There are in England some fifty of these, besides nearly as many small societies of the same type. They have over 55,000 members and also do business with a considerable number of non-member farmers. They are well dispersed about the country, generally one large

society to each county and there are comparatively few agricultural "deserts," though some regions are much more superficially covered than others. In the year 1944-5 these societies handled goods to the value of £14,760,000, of which more than £10,000,000 represented agricultural requirements, principally feeding stuffs, followed by fertilisers, seeds, implements and miscellaneous farm supplies. Only a few of the largest hold agencies for agricultural machinery, not because they are unwilling to enter this trade, but because the manufacturers are unwilling to open it to co-operative societies and the manufacture of such machinery is a large scale industry which has not been tackled co-operatively in any country. So far British societies have only made a beginning in the sale of petroleum products, which are becoming increasingly important to the mechanised farm. The £4,000,000 worth of other trade undertaken by this group of societies consists for the most part of grain purchased from members for resale to flour mills, breweries, or as animal feed. Societies also handle potatoes, fruit and vegetables, dairy and poultry products and meat, usually on a comparatively small scale.

In Wales also the supply of agricultural requirements is the most important co-operative activity. Statistically it is so in Scotland, though here the trade of three or four large societies rather overshadows the varied and extremely useful work of a number of small societies doing business for crofters, which is none the less important because it does not show impressive trade figures.

The British requirements societies are in a strong financial position. Of their working capital, 85 per cent is either members' shares or reserves, in nearly equal parts. The remainder is bank over-draft, often used to cover some temporary outlay, and loans, usually from members. Their trading surplus ("profit") in 1944-5 amounted to 50 per cent of their share capital and just under 4 per cent of their turnover. Their sales, larger in the big societies with a more extended range of goods to sell than in the small, averaged £278 per member, per year; their running costs amounted to less than 6 per cent of turnover. Like the consumers' societies, agricultural requirements societies try to avoid giving credit, but the custom of the trade and the needs of the farmer in a country where there are no Raiffeisen



banks, make it difficult to avoid altogether. The average length of credit given in 1944-5 was five weeks. This obviously costs something to the society, but it is also regarded as a service to the farmer.

Societies are not, properly speaking, engaged in manufacture, but most undertake some processing, running grist mills, feed mixers, cubing plant, seed cleaners or corn driers, and these installations are being extended fairly rapidly. The British agricultural societies have no wholesale organisation of their own. One was founded in 1915 but it was not fully established when it was caught by the post-war slump of 1920-21 and collapsed. It dragged some societies with it. Fortunately the majority were also purchasers from and often shareholders in the Co-operative Wholesale Society of the consumers' movement. The C.W.S. as a flour miller and margarine manufacturer produces as by-products large supplies of millers' offals and oilcake. It has its own Seed Department, begun for the benefit of the urban gardener and allotment-holder, and extended to meet agricultural needs. When the Agricultural Wholesale Society crashed, many farmers' societies were in no very sound position and were also heavily indebted to the C.W.S. The Wholesale, instead of forcing them into liquidation, undertook to see them through, provided they accepted a measure of control and the services of the C.W.S. Audit department. Control never included any obligation to buy exclusively from the C.W.S. and was relinquished as soon as the societies were once more solvent. By these means a number of societies, which have since grown large and prosperous, were set on their feet. To-day the majority of the requirements societies, including those which never received assistance of this type, are shareholders in the C.W.S. and buy a considerable part, though not the whole, of their supplies from it. They have also found a market in the Wholesale and sometimes the retail consumers' societies for part of their members' produce. The link is interesting and almost unique.

In the United States, and more particularly in the north-east, farm economy is similar in many ways to that of Great Britain, and the same type of agricultural requirements society (in America called a "purchasing association") has developed. The scale is larger. In Great Britain only four societies have

annual sales of over £1,000,000. In America sixteen societies are in this category, and the largest, Grange League Farmers' Exchange in New York State, really a regional wholesale selling through a mixture of branch stores and affiliated autonomous associations, had in 1944 retail sales amounting to £17,000,000. Here, as in Britain, feeding stuffs take first place, but they are followed not by fertilisers, but by petroleum products. Indeed, in the Middle Western States, where grain growing is the chief work of the farm, draft power essential and livestock mainly converters of home-grown corn into meat, oil is more important than feed in the business of the society.

The tendency of one group of farmers' purchasing societies in the United States to regard themselves as consumers' co-operatives and to seek to push into the field of household supply, and to include urban as well as rural members, has been described in the chapter on Consumers' Co-operation. It has resulted in the formation of two wholesale organisations—National Co-operatives Inc., which consists of eighteen regional associations, of which three are non-agricultural and three are Canadian, and United Co-operatives Inc., which consists of eight regional agricultural purchasing associations and three agricultural marketing associations, with a subsidiary trade in requirements. Five associations are members of both and the lines of trade, though some are duplicated, tend to be in different groups of commodities. It has also introduced a certain ideological tension into the movement, which has so far been stimulating rather than destructive.

The prominence of the consumer point of view, the importance of the oil trade, the tendency towards the formation of large regional associations with a rather complex federal structure are among the distinguishing features of the American movement. A fourth characteristic is the close and fruitful link with the universities and agricultural colleges by which the latest results of research, sometimes itself financed by farmers' co-operatives, are transmitted to farmers by their association, through the effective method of sales of superior strains of seeds or of improved fertiliser mixtures, or by services such as the sale of fertiliser ready spread on the fields by the Association's tractors and drills. In Great Britain less is done

on these lines. It is rather left to progressive farmers, themselves in touch with current research, to carry their co-operative societies forward along the lines of successful innovation.

The supply of agricultural requirements sometimes linked with that of consumer goods is making good progress in Canada, where it is a later development than that of co-operative marketing. It is well established in Australia. In countries such as India, where agricultural methods are still primitive, progress has been slight, since the peasant does not know and cannot afford modern agricultural methods. He sows his own seed or exchanges with a neighbour. He feeds his stock from the produce of his own land or the village pasture. He uses neither fertiliser nor pesticides and his simple implements are probably made by village craftsmen. Such methods will have to be changed if the food supplies of tropical countries are to be increased so that they can support their population at a tolerable standard of living. It is probable that only through co-operative societies, with the power to supply improved tools and raw materials, to educate the cultivator in their use and to see that they bring him some immediate return, can a change of this kind be brought about in a reasonable space of time. In this field co-operative Europe is often the best model for Asia and the tropics, since it shows the American alertness to technical and scientific progress applied to traditional peasant communities.

The structure of co-operation for the supply of agricultural requirements differs considerably from country to country. In Germany, as already described, it has developed from credit co-operation, and uses the credit societies as its local agents. They collect and bulk orders from their members and pass them on, not to the regional credit bank, but to a regional supply federation which operates on a fairly large scale, and probably has its own grist mill, fertiliser mixing plant, seed cleaning plant and other installations. This system is the most usual in Central Europe. In many cases the regional associations are also buyers of farmers' grain, and some of them run flour as well as grist mills.

In France the local agent is not as a rule the credit bank, but the *Syndicat Agricole*. The *syndicats* were the first means of organising French farmers and have a fairly long history.

In some ways they correspond to local branches of the National Farmers' Union of Great Britain. Their primary task is to look after the professional interests of the farmer, and, among other things, to promote co-operative or other enterprises which may be of value to him. They are not primarily trading bodies, and they usually confine themselves to acting, like the Central European credit societies, as local agencies for a regional trading society (often also, legally, a *syndicat*, though sometimes registered as a co-operative), which does the actual buying, selling, storage and, in some cases, manufacture.

In Denmark the system is again different, for each commodity—feed, seeds, fertiliser, lime, is handled by a separate organisation with a central trading body and specialised local societies. This has the advantage of securing specialists at headquarters and of keeping the profit or loss on each commodity separate, so that there is no subsidising of one line of business by another. It leads to a considerable duplication of local agencies, which in a country less well provided with farmers who combine business training with co-operative convictions, might be difficult to service. A particularly interesting joint organisation has recently been built up to link the co-operatively organised growers of agricultural seeds with the co-operatively organised farmers who purchase them. In Sweden and Norway agricultural supply associations, as in England, do a general merchant's business, dealing directly with their members and not through credit banks or non-trading bodies. They have their own wholesale organisation and do not, as in England, use the consumers' wholesale, though in Sweden the two run a joint fertiliser plant.

In Finland, however, in Poland and still more in South-eastern Europe, the tendency is towards a multi-purpose society, of which the principal object is the supply both of agricultural and of household needs. This results in a confused type of organisation needing more expert management than it sometimes gets, and involving a perpetual risk that the profits on the bakery may be used to cover the losses on the fertiliser department. The justification is twofold. Neither the agricultural nor the household purchases of the peasant family are very extensive. Much food is home-grown; milk, meat, eggs and potatoes all come from the farm. Often the peasant

takes his own wheat or rye to the mill (which is frequently a co-operative concern) and brings back his own flour. He needs kerosene and matches, working boots and clothing (though he may buy them direct from the village shoemaker and tailor); he needs, if he can afford them, what on the Continent are significantly called "colonial goods," that is coffee or tea, rice, sugar, tapioca. For his farm he needs a few implements and spare parts, like ploughshares, a change of seed, a small quantity of fertiliser (he cannot afford more), spraying materials if he grows vines or a few other crops. He is accustomed to buying all these things at a single village shop and expects to find the same selection at a village co-operative society. At the same time, there are probably not enough men with business training and aptitude to run two or more societies. There are not enough business-like farmers to man two committees. A single committee might run two separate societies, but the idea is confusing to people who are only making a beginning with business. Moreover, there are certain advantages in the mixed society to counterbalance its dangers, since it allows staff and buildings to be fully, and therefore economically, used. Sometimes marketing is added to the functions of a mixed society and in Ireland, where a rather similar system has grown up, a co-operative creamery was often established first, later developing a general purposes store and sometimes a system of loans to members. The mixed society exists throughout Bulgaria and Hungary and the system is practised by one very successful and efficient group of societies in Switzerland.<sup>1</sup>

The first object of an agricultural supply society is the same as that of a consumers' society—the supply of reliable goods at reasonable prices. It has, however, a further function which has no exact parallel in the consumers' movement. This is to raise the standard of farming by keeping in touch, in a way which is sometimes impossible to the individual farmer, with developments in agricultural science and technology, and transmitting them to him by means of the improved seeds, chemicals and implements which it is able to put at his disposal. This makes for more profitable farming and so benefits the farmer. It also tends to increase food production in the general interest.

<sup>1</sup> Described in Chapter IV, p. 51.

## CHAPTER X

THE MARKETING  
OF LIVESTOCK PRODUCTS

TRADITIONALLY the farmer first grew food for himself and his family. He grew fibre (wool or flax or cotton) for his clothing, and tanned his own hides for footwear. There are still farms in Europe on this pattern, but they are growing fewer. For a long time sales of produce on the market were a disposal of surplus and a means of obtaining minor luxuries. Such sales were made by the farmer or his wife in a nearby town at a pitch market or to regular customers. A few commodities always moved farther. Greece regularly imported wheat from Egypt and the Black Sea, more than 2,000 years ago. Rome, too, depended on the international grain trade. By the nineteenth century most farmers in Western Europe were substantially on a money economy. They had a good deal of home-grown food and might weave their own wool, but they bought certain articles of food, clothes and furnishings, even if they bought them locally, and they paid taxes, tithes, school fees and doctors' bills in cash. Their market was still in the main a local one, and any processing—the making of milk into butter and cheese, is the most obvious example—was done in the farmhouse.

The exception was the cheese made in the Alpine pastures. Here the villagers would drive their cows to the mountain pastures in the spring and not bring them back to the valley till the winter. Some members of the family would go with them and live in rough chalets till the summer. The milk had to be made into cheese, since it was too far from centres of population, by too rough a road for delivery liquid. But each villager had only a few cows of his own, and cheese is best made from a large quantity of milk and from milk which has not been jolted in transport. The custom grew up, at least as early as the Middle Ages, of making cheese each day in the chalet of a different villager, but from the milk of the whole herd. At the end of the season the cheeses were counted and divided up according to the number of cows in milk. Here already was



the germ of a co-operative society. The next stage was to appoint one expert cheesemaker to make cheese every day for the whole village. The quality was better and the cheesemaker was paid in cheeses for his trouble. The next stage, and it came much later, was, after giving to each family those cheeses from their share which they needed for their own use in the winter, to sell the rest jointly, often in some town at a distance, distributing the cash proceeds to those whose milk had gone into the pool.

It will be observed that it was a technical problem, the need to have a large volume of fresh, untravelled milk, which produced the ancient co-operative cheesemaking society or *fruitière*, as it is called. The stimulus to modern co-operative marketing and processing has sometimes been technical, sometimes economic, sometimes both. In the second half of the nineteenth century, the prairies of Canada and the United States were opened to settlement and agricultural production. Virgin soil was there almost for the asking, and a new population of farmers spread thinly over the great plains. At the same time the great railways spanned the continent from coast to coast, and with steam and iron the capacity and the speed of ocean shipping increased. The farmer of the New World did not grow for himself and his family. He grew for a distant market which he had never seen, the cities of the eastern seaboard, or more remote still, the industrial towns of Europe. Farming of this kind brought its own problems, and more will be said of them. From the co-operative angle, the first point of interest is the impact of the flood of cheap grain on the European farmer. It gave rise in the first place to the co-operative marketing of livestock products, which is the subject of the present chapter.

Denmark, in the middle of the nineteenth century, was a country of small to medium-sized mixed farms, selling beef, pork and corn. But the Danish farmer, with his comparatively high-priced land and poor soil, could not compete with the wheat of the prairies, while the market for rye was declining as wheat bread came within the means of the workers. The Danish farmer, who was a man of intelligence, considerable education and an independent spirit, moved over to dairy farming, in which at that time the overseas countries could



not compete. He did not give up arable farming. If anything, he grew more. But he grew fodder for his cattle and barley for his pigs and poultry, not breadgrain for millers and bakers. He used his small area of pasture almost more as an exercising ground than a source of food, and his cows were stall-fed. He took advantage of the cheap maize and other grains coming on the market from overseas to buy more feed for his animals.

While this change in farming was taking place, the mechanisation of the dairy industry began with the invention of the cream separator and the mechanical churn. These at once made it a waste of time and energy for the wives of fifty farmers to toil at butter-making each in her own home. A cheaper and, on an average, a better article could be turned out if the milk was brought daily, or better still twice a day, to a central creamery. The Danish farmers, who were quick to see the value of this invention, were quick also to see that whoever controlled the creamery controlled the price of milk, and with it the prosperity of the farm. Few men farmed on a large enough scale to justify a creamery of their own. Few had sufficient ready money to contribute, even with their neighbours' help, to a capital fund large enough to cover the cost of installation. What they had was character. The farmers of a Danish village were sufficiently well known to each other and to the local bank, generally a municipal savings bank, to go to the manager in a body and pledge their unlimited liability for the repayment of a sum of money lent on bond for a term of years. With this they built their creamery, installed machinery and appointed a skilled butter-maker to manage it. Legally, no association had been registered and the group was free to dissolve as soon as the money had been repaid. In fact, it has been customary to enter into a fresh bond immediately on the expiry of the first, and the Danish Co-operative Creamery Association has had as stable an existence as any legally incorporated co-operative society. What is important is the degree of mutual trust and responsibility which this loose organisation implies.

All members of a Danish creamery are pledged to sell to it all their milk which is not required for their household needs. Milk is paid for monthly, according to quantity and quality, that is, to the percentage of butter fat in the milk. Great pains have been taken to improve quality both of milk and butter.

The breed of cattle was gradually improved through the establishment of herdbooks, and the recording of milk yields and butter fat contents for several generations. (Cows, curiously enough, inherit their milking qualities through the bull.) Systems of feeding were studied and improved. Milk recording societies established beyond doubt which cows were in fact earning their keep, and which should be sent to the butcher, a matter on which the farmer who does not keep records is often himself mistaken. At the same time the standards of butter-making in the creameries were raised by competition, by surprise inspections and by the adoption of the "Lur" trademark, the sign of the intertwined Danish trumpets, which was first devised by the co-operatives and was then, with the quality it denoted, made compulsory for all Danish butter going for export.

At an early stage the co-operative creameries began to look to the foreign and especially the British market and to adapt their product to its needs. They formed an export federation and sold largely, though not exclusively, to the British consumers' movement. The C.W.S. also maintained a depot in Denmark and ran one or two creameries of its own.

Pig-keeping in Denmark and in several other countries is closely linked with butter-making, since the skim milk left after the butter has been made forms, together with barley, the best bacon-producing diet. The Danish farmer generally delivers his milk and retains the skim for his pigs. In some cases surplus skim milk is held by the creamery itself and fed to a pig herd kept for the purpose. A bacon factory is a much more costly installation than a creamery. Danish factories are fewer and larger than the creameries and were founded somewhat later. The principle is the same. The same care was devoted to producing the right type of pig (a cross between the native Danish breed and the white Yorkshire pig) and the right balance of diet. The whole industry was built up with a view to the English market, since bacon is hardly consumed on the Continent, and the greater part is sold through the federal Danish Co-operative Bacon Company.

The third main product of the Danish farm is eggs. Here organisation came rather later and is still not complete, since the trade in eggs is often local; they are the perquisite of the

farm women, collected from door to door or sold semi-privately. There are, however, a number of efficiently run co-operative egg-packing centres and an export union. Eggs are collected, "candled" (that is, held against a light bright enough to make them transparent in order to detect staleness), cleaned when necessary, graded according to weight, and packed for transport. Again, much of the trade is with the British market and the consumers' co-operative movement. Danish marketing is reinforced by the well-developed supply of agricultural and domestic requirements described in the last chapter.

Irish creamery co-operation was a spontaneous movement, taken up and directed by Plunkett and the Irish Agricultural Organisation Society, but it learnt much from the Danish example. It grew and prospered, covering all the dairying counties of Ireland with a network of creameries. These in turn set up their own export agency selling on the British market, to which, during the early years of this century, much Irish butter was directed. During the Irish "troubles" of 1920-21, many co-operative creameries were burnt to the ground by the undisciplined auxiliary police ("Black and Tans") employed by the British Government to suppress Sinn Féin. After the Irish settlement, all these creameries were rebuilt.

In 1928 the Irish Government introduced a measure to rationalise the Irish dairy industry on co-operative lines. A Dairy Disposals Company was set up with State funds and a State-appointed staff to undertake the purchase of "redundant" creameries. Most of these were private creameries in competition with co-operatives. A few were small and unprosperous co-operatives, built too near together in the days when all milk had to be delivered by ass cart, and competing wastefully with one another. The creameries taken over were reorganised into constellations with a large central creamery and outlying "skimmeries," whose function was merely to receive farmers' milk, separate it and dispatch the cream by lorry to the central. Sometimes one of the creameries taken over would be disposed of to an existing co-operative creamery whose general operations had not been touched by the Dairy Disposals Company. More often the new constellation was held for a period of years, but gradually transferred to the farmer suppliers by the deduction of "debt shares" from the monthly milk cheque.

At the same time a change was coming over the marketing of Irish butter. In Ireland grass dairying prevails. The country grows fine grass but is little suited to arable crops. Consequently, nothing like the Danish system of stall feeding is likely to be attempted. The disadvantage of the grass system is that a flush of milk in the summer is succeeded by a scarcity in winter. Irish butter used to appear on the English market every spring, only to disappear in the autumn. This lowered its attraction to buyers, who like continuous supplies, and consequently reduced its price. Moreover, even the Irish shops tended to run out of home-produced butter in winter, and had to import from New Zealand. In the last ten or fifteen years, the development of cold storage and the various government measures aiming at national self-sufficiency for what has been unkindly called the "Turf and Porridge Republic," have taken most of the Irish butter off the British market and put it in cold storage for winter use in Ireland itself.

Bacon factories and egg-packing stations, the latter often linked with creameries, have developed in Ireland, as in Denmark. As noted in an earlier chapter, the creameries are tending to gather to themselves a number of functions, including the supply of agricultural and domestic requirements, which in other countries are separately organised.

In Northern Ireland, after the establishment of the Irish Free State in 1922, the Ulster office of the Irish Agricultural Organisation Society took on a separate existence as the Ulster Agricultural Organisation Society. The fate of the creameries here has been less happy, largely because the Government of Northern Ireland has been uninterested, if not definitely hostile. A number of sound creameries, several of them large, were in operation until the Second World War and some of them had interesting direct relations with the Belfast consumers' co-operative. In the course of the War, however, the Government of Northern Ireland, on the plea of supplying dried and condensed milk rather than butter to Britain, arranged for the establishment of a large private condensery, to which were diverted most of the milk supplies of the existing co-operative creameries. Compensation was paid, but the effect was to take their industry out of the hands of the Ulster farmers.

In England creameries were never founded in any number. The liquid milk market was always more profitable, and the most considerable co-operative ventures in dairying were in the collection and wholesaling of milk, often delivered to the consumers' co-operative movement. Societies of this type did useful work for a number of years in maintaining the price to the farmer and in taking care of his summer surplus. Their occupation largely vanished, however, with the introduction of the Milk Marketing Board in 1931. If the societies had been stronger and more numerous they might themselves have constituted the Board. As it was, most of them disappeared and yielded their functions to the new body. The exceptions were those engaged in retailing milk, in the sale of Grade A Tuberculin Tested milk, and those making speciality cheeses, like Stilton and Wensleydale. The Milk Marketing Board may in a sense be regarded as a co-operative on a national scale, since the adoption of the scheme was voted, in the first instance, by the dairy farmers of England, and the Board of Directors is elected by them. The compulsory powers of the Board, conferred by statute, and the absence of local democratic machinery or financial responsibility do, however, remove it from the ordinary class of farmers' co-operatives.

There are a few co-operative bacon factories in England, including one owned jointly by the farmer suppliers and the C.W.S., but the most numerous and active farmers' marketing societies in England to-day are those handling eggs. They have had their trade held down by the war-time absence of eggs, and their membership tampered with by zoning. Their reputation and leadership in the egg trade has, however, been growing, and it seems certain that relaxation of control will mean a considerable and probably rapid development in co-operative egg-packing.

In Scotland the creamery movement, especially in the South-west, was strong, but the pull of the Glasgow and Edinburgh liquid milk market was stronger. Some twenty years ago the Scottish creameries and the Scottish Agricultural Organisation Society themselves took the lead in the setting up of the Scottish Milk Marketing Board, in which their activities were merged. Egg marketing, however, flourishes, and has always been a special feature of co-operation in the Orkney

Islands, where the poultry industry has largely replaced fishing as a subsidiary occupation for the small farmer. The largest single co-operative marketing organisation in Scotland is, however, engaged in the sale of wool. It handles about a quarter of the total Scottish clip, accepting as members both large sheep farmers and the sheep stock clubs of the crofters, and selling the product as far as possible direct to manufacturers in Great Britain and abroad. In England wool is sold co-operatively by a group of regional societies some of which are run on the same lines as the Scottish society, while others receive the clip from members in the summer, grade, bale and store it, afterwards disposing of it by auction at the London Wool sales in the following winter. As members require to be paid at least a part of the price on delivery, this involves advance payments, covered by a bank overdraft secured on the stored wool, the balance being distributed to members after the wool has been sold and all expenses, including the interest on the overdraft, have been deducted. This system will be met with again in other countries and other commodities.

Marketing co-operatives with dairy produce as the principal commodity, and methods generally similar to those of Denmark, are to be found in the other Scandinavian countries and in the states south of the Baltic, Poland and pre-war Latvia, Lithuania and Esthonia. Most of these countries were in the export market for butter and bacon. Norway was almost exactly self-sufficient, and in order to stabilise supplies and prices, had established since 1930 a Milk Marketing Board much on the lines of the English Board, but with the important difference that it rested on a complete local system of co-operative dairy societies. The Board did much excellent work in improving the quality of the Norwegian dairy products, and in particular had succeeded, immediately before the War, in completely eradicating bovine tuberculosis from Norwegian herds.

Co-operative dairying in the Netherlands is directed to the production of cheese and condensed milk rather more than butter. The co-operative system, in Friesland in particular, is closely integrated, with local cheese factories affiliated to central condenseries, which handle their surplus, and to supply centres manufacturing rennet and providing packing materials and other requirements of the industry. They also maintain



their own bank, which exists to finance the dairy societies and their trade. Some of the speciality cheeses of Holland, on the other hand, are still farm-made and only marketed co-operatively. Butter, again, is in some districts farm-made and sold through a co-operative auction. Bacon is made in co-operative factories on the Danish system and the compulsory reduction of the pig population carried through during the slump of the thirties, was mainly worked through the co-operative societies.

Co-operative dairying in France is regional rather than national. Lorraine and the East are well organised, mainly to serve the liquid milk market of Paris. In Charentes and Poitou, co-operation was the answer to a technical challenge. Up to 1880 this was a wine-growing district. In that year the vineyards were ravaged by phylloxera, a mildew disease, and the farmers ruined. Some left the district and their place was taken by dairy farmers from Brittany. A young farmer who had done his military service on the Swiss frontier had come to know the methods of the Alpine *fruitières*. He suggested the establishment of co-operative dairies. Information was obtained from Denmark and gradually, over a period of years, cows replaced vines, and the country came to be dotted with co-operative creameries making butter of high quality for sale on the Paris market, and turning the skim milk into casein. A Central Association, operating its own refrigerator trucks on the railways, making ice and purchasing coal, oil and parchment wholesale, and a Dairy School for the training of co-operative employees, completed the co-operative structure.

In Switzerland, cheese for the export market is more important than butter. Indeed, at one time the Swiss exported cheese and imported butter. The slump of the 'thirties called for a reconsideration of the position, and a system of import duty and subsidy was devised to keep as much Swiss milk at home as the home market would bear. Sale and processing alike is mainly in the hands of co-operative organisations, federated in the Swiss Dairy Union. The sale of liquid milk in Geneva provides one of the outstanding examples of co-operation between producers and consumers, since it is handled by a joint organisation, owned on the one hand by the farmers' co-operative dairies, and on the other by the co-operative consumers' society of the city.

Co-operative dairies are to be found in most European countries. In Germany they were fairly numerous, but did not control the milk or butter market, until the Nazi regime made membership compulsory, set up new and artificial co-operatives wherever no established creamery existed, and made the resulting network of collecting and processing points the basis for the control and rationing of milk and milk products. Neither compulsion nor the new co-operatives were particularly popular with German farmers, and it is impossible to say how much of the organisation will survive and in what form.

Czechoslovakia as a whole is not typical dairy country, but there were well-established co-operative dairies, making butter or cheese or selling liquid milk. They were especially numerous in the sub-Alpine regions along the frontiers. A rather similar dairy region existed in Slovenia, and there were scattered societies throughout the Balkan countries and Greece, as well as in the Alpine regions of Northern Italy. Egg collecting at co-operative packing stations was developing in all these countries and Hungarian co-operatives also dealt in feathers and had made progress in the sale of live cattle, generally for export. In Czechoslovakia, a central co-operative arranged sales of fat stock on the Prague market, and manufactured meat products. The destruction of livestock in Europe due to requisitioning and lack of feeding stuffs during the War must have borne hardly on all these enterprises but there is no reason to suppose they are not in good order and ready to advance as supplies return.

Co-operative dairying is no less important overseas. In the United States it is the largest single item of co-operative business. Sales in 1943-44 amounted to £400,000,000 and probably outweighed those of all the European dairy co-operatives combined, unless the English Milk Marketing Board is included. American dairy co-operation is also the oldest branch of co-operation in that country. It began in the second half of the nineteenth century, with the arrival of Swiss or Scandinavian settlers in the northern states of Wisconsin, Minnesota and Iowa, who proceeded to set up numerous small butter and cheese-making societies such as they had known in their own countries. Most of these early societies have survived and been

gradually drawn into federations, of which the best known is probably Land O'Lakes Creameries, which handles about one-fifth of the milk of Minnesota, Wisconsin and parts of Michigan and North Dakota. Manufacture is carried on in local creameries, and cheese factories, which are bound to make all except local sales through the Central. Besides marketing the Central acts as a wholesale buyer of seed, fertilisers and flour for individual farmers, and machinery, salt and parchment for creameries. It has recently taken up the sale of eggs and poultry. There are smaller federations of the same type, and more than half the membership and trade of American co-operative dairies is still concentrated in the North-West.

A dairy movement of a different type has, however, grown up round the large cities, concerned primarily with the sale of liquid milk. This may mean anything from a simple bargaining association of farmers, concerned to secure a good price from private retailers, to groups undertaking processing or retailing from door to door. The largest and perhaps the most representative is the Dairymen's League of New York, which has a contracted membership of over 40,000 dairy farmers. It handles half the milk coming into the New York market from New York State and other states bordering on the city. Some is pasteurised and delivered to the consumer, some sold, treated or untreated, to wholesalers, some processed. Rather more than half was sold liquid, and about a quarter as cream in the years immediately before the Second World War. A pool price is paid, irrespective of the use to which a supplier's milk is put. There was at one time a tendency to break away, on the part of suppliers favourably placed, to sell all their milk in one of the more profitable forms, but the League succeeded in obtaining a State order establishing what amounted to a statutory pooled price for all milk suppliers in the area. The League has thus gone a step beyond voluntary co-operation and approached the position of a milk marketing board, though it does not itself handle or direct all the supplies of the region. Similar organisations exist in New England, serving the Boston market, and in other American states.

If dairy organisation is the most massive of American co-operative marketing enterprises, livestock marketing is perhaps its most original contribution, since this is a line which

is poorly developed in the European centres of the movement. The organisation was carefully planned about 1921, with a three-tiered organisation of local shipping points, shipping associations and livestock commission associations at the terminal markets. But this structure was adapted to transport on the hoof and by rail, and the next few years brought a huge expansion of road transport, by lorry, and of direct buying from the farmer on the part of the packing houses. The local shipping points and associations withered away in large numbers, leaving the bulk of the trade in the hands of the terminal marketing agencies, twenty-eight in number. Some of these are very large. The Chicago Producers' Co-operative Association is the largest single dealer on the Chicago livestock market and in 1938 had a trade of over £6,000,000 and more than 100,000 members. Fat cattle, sheep and pigs, are shipped in by members on road or rail, to be graded and sold on commission by the Association, generally to one of the packing houses. In addition to the co-operative handling of fat cattle, there is a considerable co-operative organisation which exists to put breeders of store cattle in touch with feeders and effect the transfer, if possible, without passing the animals through a terminal market. The requirements of feeders are ascertained with more or less advice from co-operative experts, and buyers are dispatched to the breeders on the ranges, from whom they make purchases to suit the customer. A National Livestock Marketing Association facilitates these transactions by granting loans to feeders. This Association also provides credits for the co-operatives themselves, derived from the Bank for Co-operatives set up in 1937 under the Farm Credit Administration, and a good deal of non-commercial leadership.

Egg marketing in the United States was first developed on the Pacific coast, especially in the North-Western states. (In 1938, Oregon, Washington, Utah and California between them accounted for four-fifths of the co-operative egg sales in the United States.) Since then the movement has been spreading in the Middle West and in the East, though here it has often been a department of a farmers' supply co-operative rather than a separate institution. Wool is not a major item in United States farm economy, but there is a considerable production of merino wool on the ranges and of cross-bred wool from small

farm flocks. A number of large-scale local or regional co-operative wool marketing associations have been set up with some 50,000 members. They are affiliated to a National Wool Marketing Association in Boston, the centre of the United States wool trade which handles perhaps one-sixth of the United States wool clip. Like the National Livestock Marketing Association, it acts as a channel for the distribution of loans from the Farm Credit Administration or the Commodity Credit Corporation (both Federal institutions). Regional associations have been allowed to borrow up to 65 per cent of the estimated price of bagged wool, of which 50 per cent is used as an advance to the grower and the remainder covers the Association's current handling expenses. Wool is sold direct to the mills by the National Association. Some of the best-established of the regional associations, however, undertake their own marketing.

The Wheat Pools, of which more will be said in the next chapter, have stamped their character on Canadian co-operation, but the marketing of livestock and its products has existed for a long time and has been rapidly increasing in the last few years. Canadian Co-operative Livestock Producers sells on commission, like the corresponding livestock co-operatives in the United States. It has its offices in Winnipeg, the bottleneck for all livestock moving eastwards from the ranges to the centres of population. Saskatchewan Livestock Producers is actually a subsidiary of the Wheat Pool, and livestock in Ontario is handled by a general farmers' co-operative. Dairy societies, which are the second most important group in the value of their output, range from the butter-making creameries of British Columbia, through the associations selling liquid milk in the prairie cities, to the creameries and cheese factories of Ontario and Quebec. In the latter province, the *Coopérative Fédérée* handles a third of the butter and more than half the cheese, much of it exported and a substantial part sold direct to the English and Scottish consumers' movement.

Australia and New Zealand both make 90 per cent of their butter and cheese in co-operative factories, which have practically the whole export trade in their hands. In New Zealand there is, in addition, a Pig-Marketing Association and a number of co-operative slaughterhouses and refrigerating plants pre-

paring chilled lamb for the British market. Much of the co-operative output of these countries goes direct to the consumers' co-operative movement in Great Britain, and between 1920 and 1936 a group of New Zealand dairies carried on, together with the C.W.S., a very interesting experiment in direct producer-consumer relations, through the jointly-owned New Zealand Produce Association, with offices in London. The Association still exists, but the setting up of a National Dairy Marketing Board in New Zealand in 1936, by placing the whole of New Zealand export under public control, destroyed the special relation of the Association to the dairies, on the one hand, and the consumers' wholesale on the other, and made it little more than one among a number of agencies handling New Zealand produce on the London market, although any profits on its operations were still divided between producers and consumers. New Zealand has also a National Meat Marketing Board. Australia has made a number of experiments in controlled marketing and in the pooling of prices in such a way that the home price is used to subsidise exports. Most of the control boards have been on a State rather than a Commonwealth basis, and all have rested on a foundation of local co-operative organisations, though they have included non-co-operative producers.

## CHAPTER XI

### THE MARKETING OF FIELD CROPS AND FRUIT

THE last chapter surveyed the co-operative marketing of livestock and livestock products, generally after some form of processing. It was noted that the first stimulus towards this kind of co-operative enterprise in Europe came from the competition of overseas wheat, which the European farmer, with his limited and expensive land, could not meet. But the overseas farmer who set in motion this process of competitive challenge and co-operative response had problems of his own.

In 1885 the last spike was driven in the Canadian Pacific Railway, and the Prairies of Canada were open to full settlement. Farmers spread themselves over a broad belt on either



side of the railway and its gradually extending spur lines. Their ploughs broke the wild grasses of the prairie; axes and sawmills consumed the timber of the parkland. In their place came wheat, immense, unfenced fields, reaped by eight-horse teams, and as the years passed, more and more wheat, spreading into the far North, with its heavy frosts and short summer, as the seed breeders evolved quicker and quicker maturing varieties. But there was no market for an ocean of wheat in the prairies. It had to be shipped out by rail, stored, while waiting its turn to move, in the tower-like elevators which are almost the only architectural feature of the prairies. Later it would be sold on the grain exchanges of Winnipeg or Chicago, with all the speculative machinery accompanying the sale of a commodity which depends on the weather systems of four continents and fluctuates in volume and value from year to year. The farmer himself got small satisfaction from this machinery or from the railway and elevator companies. So, in the early years of the century, a number of local co-operative marketing associations set up the Grain Growers Grain Company, which became the United Grain Growers. The Grain Growers began with sale on commission and entered the export business through a subsidiary company. Since, like the Danish dairymen, the prairie farmers must control the machinery or it would control them, they took over and operated terminal and country elevators. By 1920 they were handling from a fifth to nearly half the grain moving through the principal shipping points.

During the War of 1914-18 the normal machinery of the Canadian wheat market was suspended and wheat sold through a governmental Wheat Board. Control ceased in 1920, and there was a fall in prices, which the Grain Growers and other farmers' organisations, such as the Saskatchewan Co-operative Elevator Company, were powerless to arrest. The government refused to reinstate the Board and the farmers decided to form a voluntary contract pool. In fact three pools were formed, one each for Alberta, Saskatchewan and Manitoba, with a membership of farmers and contracts covering something like half the prairie wheat crop. All three pools arranged to sell through a joint agency, Canadian Co-operative Wheat Producers Ltd. Overseas agencies were set up with the object of

by-passing the speculators of the Winnipeg Grain Exchange. Contracts of the Pools with their farmer members were for five years and covered all wheat except that required for seed. Shares in the undertaking were nominal. The Pools undertook not only shipping and sale, but storage, cleaning, drying and grading. Each member received the average price for the grade shipped, an advance payment on delivery of the wheat and the balance after sales had been completed. Sometimes there was an interim as well as a final payment. For five years (1924-28) the three Pools successfully handled half the wheat of the prairies and at the end of that time their members signed on for another five years. But 1929 was the beginning of the great slump, and wheat prices began to fall. So far the initial payments to members had always been well below the price finally realised. In 1929, when the market price stood at \$1.50 per bushel, the Pools made an initial payment of \$1. This looked safe enough. In a little over a year the price had fallen to 55 cents and the 1929 crop was still to a large extent unsold. The Pools, like the rest of the grain trade, had financed their initial payments on borrowings from the banks. Now they must either default or sell wheat at sacrifice prices, to their own as well as to the farmers' loss. At this point the governments of the three Prairie Provinces intervened to guarantee the banks against loss on the Pool grain with all its widespread repercussions on Canadian economy. As condition of this guarantee, the central selling agency and its accumulated stocks were placed in the hands of an appointed manager and used as a stabilisation agency for the market in the interests of all wheat producers. But contract pooling was abandoned and sales made thenceforth through the Winnipeg Grain Exchange as of old. Competitive selling and the futures market were restored, till, in 1935, the agitation among growers for some continued element of control led to a restoration of the Canadian Wheat Board, with power to purchase when prices fell below a given level. The Pools pledged their elevators for the repayment, over a period of twenty years, of the excessive advance on the 1929 crop.

It might seem as though the pool movement had ended in complete failure, and that is the impression sometimes given by careless writers or talkers. It was true that the attempt

to take wheat marketing out of the hands of speculative trade, and to build a permanent bridge between producers and consumers had failed. It had failed because the world-wide financial and industrial collapse of 1929, combined with bountiful world harvests, brought wheat prices down with disastrous suddenness; also because there was no real co-operation between the great wheat-exporting countries, Canada, the United States, the Argentine and Australia, although three of them had well-developed internal co-operation among their wheat farmers, and because the bridge to the consumer was only a tentative affair, a sort of Bailey bridge, very imperfectly established on the consumers' side.

But co-operation among Canadian wheat growers had not failed. With great courage the three provincial pools set about making the best use of what remained, their elevator system and their experience, in the service of the farmers. In ten years' time they were once more handling something like half the prairie wheat, bought at the day's price on delivery at the country elevator, cleaned, shipped to the terminal and sold as quickly as possible on the Winnipeg Grain Exchange. Long before the twenty years had expired, they had paid off their debts to the provincial governments, and in the early years of the War, when the damming back of exports to Europe crammed the elevators with unsold wheat, they were earning so much on storage charges that the rates were cut and cut again in the interests of the pool members.

In September 1943, futures trading in wheat on the Winnipeg Grain Exchange was once more suspended by government order, and all unused stocks of wheat were taken over by the Wheat Board, an initial payment was made to growers, with a promise of participation in the final price. The pool method was thus reintroduced with government powers behind it. If this system is to continue there will be the sort of compromise between State and co-operative action, a national marketing board and local co-operative handling, which has already grown up in the dairy industry of a number of countries. This would fit in with the proposals for an international wheat board or a food stabilisation corporation, in connection with the United Nations Food and Agriculture Organisation, which are now being discussed. This, however, is not certain;

for the pressure of private commerce is stronger across the Atlantic than in Europe, and as the present food stringency passes, there may be a reversion in Canada, as in the United States, to the old methods of competitive trade. In that case it will be for the Co-operative Pool Elevators to safeguard the interests of their members.

In the United States, co-operative grain marketing through farmer-owned country elevators goes back as far as 1868 and covers maize as well as wheat. It has passed through several phases of successive prosperity and adversity and there have been a number of short-lived attempts at federation and centralisation. Some of the elevators were organised by general farmers' associations and remained linked to them. There were attempts to form co-operative commission agencies, and a number of the elevators were brought into regional associations. In the West the pooling method seemed to be gaining ground in the 1920's, but it never achieved anything on a national scale, as in Canada, nor suffered the same public reverse. The problem has always been the difficulty of combining the local elevators into permanently satisfactory federations, the difficulty of carrying the marketing process beyond the first stage in a well-organised and highly speculative trade, and the difficulty, even with the help of loans from the Commodity Credit Corporation, of financing operations on any scale. None the less, the volume of trade handled, at least in the first stage, by co-operative associations is impressive, for the value of sales in 1943-44 was not much below £300,000,000 as compared with a value of about £85,000,000 for the grain passing through Canadian co-operative elevators.

In Australia compulsory wheat pools were set up in the four wheat-growing states early in the 1914-18 War, and in turn yielded to the Australian Wheat Board, which continued to function until 1922, when it was dissolved. At first there was considerable enthusiasm for the maintenance of voluntary state pools, which until the eve of the slump continued to handle nearly half the Australian crop. Thenceforth, however, the quantity handled gradually fell away, except in Western Australia. Here the pool worked hand in hand with Westralian Farmers, a general purposes, supply and marketing co-operative, with a loyal membership of more than 7,000 farmers, a

wide-awake leadership, and that belief in co-operation as something more than a business convenience, which had saved the Canadian pools in their worst hour. Westralian Farmers supplied a warehousing and direct sales service as an alternative to pooling, and further pioneered bulk handling and the introduction of elevators into Australia. These two organisations between them have continued to handle half the West Australian wheat crop and to sell at least part of it directly on the British market, through the federal Overseas Farmers' Co-operative Association, of which more will be said in a later chapter. The Second World War brought a return of the Australian Wheat Board and compulsory national marketing, with the farmers' co-operative merely acting as agents. As in Canada, the future scope of co-operative selling is not clear.

In the Argentine, the fourth great wheat-exporting country, there are co-operative elevators, but no influential national organisation. In India and the other Asiatic grain-producing countries there is little co-operative marketing apart from the rice-marketing societies of Japan, all selling to home consumers, and a few local efforts elsewhere.

In Europe, in what are, by world comparisons, the lesser wheat-producing countries, there is considerable co-operative machinery for the handling of grain. In France, for example, the primitive village custom of each farmer taking his own wheat to the miller and receiving it back as flour, while in some cases each housewife took her dough to the communal oven and brought it back as bread, was replaced many years ago by the co-operative "*panification*," which carried through all three processes and also found a market for wheat or flour surplus to the needs of the immediate neighbourhood. For a number of years the policy of the French Government has been to encourage wheat-growing. This has been accomplished in part by tariffs, but in order to secure the orderly internal marketing of the crop, to stabilise prices at a relatively high level and to find outlets for wheat which the home market could not absorb, the French Government in 1936 set up the National Inter-Professional Wheat Office, in effect a marketing board, on which agricultural representatives (most of them from wheat marketing co-operatives) are in a majority, but the consumers' co-operatives, the millers and bakers and the

public authorities are also represented. The Office fixed an annual price, based on several factors, but not related directly to the world price. It decided on the quantity which would be required for home consumption during the year, and took steps to arrange balancing exports or imports as required. The actual handling of grain was carried on by farmers' co-operatives, including both the old "*panifications*," some of the big farmers' requirements societies, engaged in the purchase of grain, and a number of new co-operatives set up for the purpose. All these were enabled to borrow from the State on very favourable terms for the purpose of building elevators in which wheat could be stored, so making possible a gradual release on the market. This was perhaps one of the main benefits of the scheme. The whole system was a not unskilful mixture of the co-operative and the governmental, but it had an element of artificiality, since the extent of wheat production in France was artificial in itself and some, though by no means all, the French wheat co-operatives had a suspiciously *ad hoc* character. This seems to have been realised, and a good deal of reorganisation, with a reduction in the number of societies, took place immediately after the Second World War.

In Czechoslovakia the system looked similar on paper, but the local structure of co-operation was older, stronger and quite spontaneous. It controlled the National Grain Board effectively, and provided its own finance. In Sweden, where national policy demanded that the country should be self-sufficient in bread grains, a system of tariffs, price-fixing and co-operative handling was built up somewhat before the French system, but on similar lines. Here, however, the co-operative structure was probably stronger, and in any case subject to less strain, and there has been no reorganisation. In the grain-exporting countries of Eastern Europe, in the years between the Wars, local co-operatives, not necessarily specialised for that purpose, handled cereals, and export was partly or wholly in the hands of co-operative federations, like the Hungarian *Hangya*, or State marketing agencies like the Yugoslav *Prizad*. Recently these countries have had little or nothing to export, unless by way of military requisitioning. Co-operatives are still the principal if not the only agencies for the collection of grain for the home market and the provisioning of the towns,



but when or through what type of organisation these countries will return to the international market is unknown. In England, an increasing volume of grain is handled by farmers' co-operatives originally formed for the supply of requirements. Millable wheat is sold to millers, feed and seed wheat usually transferred to other farmers. English societies also handle malting barley, as do their counterparts in Czechoslovakia.

The unique position of grain as the most important single foodstuff of mankind, as a commodity produced in every country and yet a major article of world trade accounts for the intervention of governments in its marketing and sets peculiar problems in its co-operative handling. Other field crops are more local and less vital, and the co-operative movement has been left undisturbed to work out its own method of marketing and sometimes processing. Potatoes as such are largely consumed locally, often on the farm, and co-operative handling is incidental and not very widespread. There are specialised societies handling seed potatoes (Prince Edward Island was particularly successful here), and in the Netherlands potato flour and starch are made in co-operative factories. The co-operative marketing of both cotton and tobacco in the United States passed through an enthusiastic promotional stage, followed by a setback. This affected particularly the regional cotton marketing associations of the old South, most of which undertake marketing only, and do to-day not control more than a small part of the total crop; in the irrigated cotton lands in Texas and the Mississippi Delta, however, organisation has gone further and many of the societies own gins and oil presses, the operation of which greatly reduces the cost of handling. Cotton and tobacco are also handled co-operatively in some of the Balkan countries, notably Bulgaria. This country adds co-operative cocoon marketing and silk winding, which may be regarded as coming within the field of livestock or crop marketing, according to whether attention is fixed upon the worm or the mulberry cultivated for its consumption.

In France, and indeed most wine-growing countries, a large part of the output (excluding, as a rule, fine wines with an international reputation from long-established vineyards) is in the hands of co-operative associations. Sometimes, as in the Greek islands, the co-operative merely markets, sometimes

it provides vats for storage and probably for blending to a uniform quality (*caves vinicoles*), sometimes it owns the actual presses. Not infrequently it makes brandy, either as a main enterprise or as a method of disposing of residues and surpluses. Sometimes it makes soap of the grape pips. All this was not achieved without patience, for wine-making is an art, and the Mediterranean vine grower is slow to admit that his own wine has not all the perfections. The introduction of modern machinery and the demands of the trade for a uniform and dependable quality have had their effect, however, and in France, and elsewhere, the availability of government credits for buildings and installations has stimulated growth. Olive oil, less important in France, but more important in Greece, is organised in much the same way, generally through the co-operative press working on behalf of the village and taking payment in a proportion of the oil extracted. Sometimes there is marketing as well, and there are Thessalian villages which yearly load a co-operative caique with dried fruit, and sail out to barter it for co-operative oil in the islands.

Fruit and vegetables, indeed, provide some of the most interesting examples of co-operative marketing. They are for the most part highly perishable and consequently treacherous to handle. In the United States the first and still the most striking results were achieved with the relatively durable orange, which, with its attendant lemons and grapefruit, has been handled for many years by the great co-operative Citrus Exchanges of California and Florida. The former likewise took in hand raisins and dried apricots, extended its selling organisation to cover not only the United States, but most of the importing countries, and carried the trade marks of Sunkist oranges and Sunmaid raisins to the breakfast tables and picnic baskets of a dozen countries. Canning came later, partly to take off surplus, though the actual quality of fruit put in cans must never be less than the best, so that the relief to the raw fruit market is quantitative, not qualitative. Dried fruit from Australia is largely co-operative in origin, but compulsory State Marketing Boards intervene between farmer and consumer. In Greece there is a national Marketing Board for currants and not much co-operative substructure.

Hard fruit, apples in particular, are also relatively durable,

and the Canadian growers in the lovely Annapolis Valley began early in the century to export them through co-operatives engaged in storage, grading and packing. The trade had a severe setback between 1939 and 1946, when the apple was a luxury for which little shipping space could be made available. British Columbia, the Pacific North-West of the United States, New Zealand and Australia are all in the co-operative apple business, while the North-Eastern U.S.A. have a peculiarly intensive and specialised group of organisations handling the cranberries, without which no Thanksgiving dinner would be worthy of the name.

But for the true perishables, something different is required. In the Netherlands and to some extent in England, the solution is the co-operative auction mart. The Dutch auction is unlike the English. There is no auctioneer, and business is conducted in a cathedral-like calm. At one end of a large hall, a range of tiered desks, like an orchestra, accommodates the buyers. Produce, generally lettuces, tomatoes or grapes, but also other kinds of soft fruit, vegetables and flowers, is pushed before them in barrows, or poled in barges along a small branch canal running directly through the hall. High up in front of them hangs a great clock face, the minutes indicating cents and the hours florins. As each lot of produce is halted for inspection, the clock hand begins to move, starting at the highest figure. When it reaches a price which one of the buyers is prepared to pay, he presses a button on his desk; the hand stops, the buyer's number is illuminated on an indicator and in the market control room the sale is immediately recorded in triplicate. The barge passes on and another takes its place. Nearly all these auction marts, many of them fine buildings, designed for effect as well as use, are the property of the market gardeners' co-operatives, and between them they handled 90 per cent of the pre-war Dutch export of tomatoes, grapes and lettuces.

In Great Britain there is nothing so complete. A small group of fruit and vegetable auctions, not, however, on the Dutch plan, are working satisfactorily in the West Midlands. Other societies sell fruit through commission agents or direct to the retailer or the jam factory, which may mean a co-operative store or a C.W.S. factory. A beginning has been made with apple packing and storage on the Canadian model. The market

gardeners and fruit growers are well awake to the benefits of co-operation and there will probably be more to record in a few years' time.

In the United States, soft fruit and vegetable marketing, including the marketing of new potatoes, is in the hands of a number of local co-operatives, not bound together, as in the case of citrus fruits, by any powerful federation. Most of the produce was, until about ten years ago, dispatched on rail to urban markets. Latterly, however, there has been a development of road transport lorries, often owned or controlled by buyers or wholesalers, which pick up produce on the farm and carry it for sale in distant towns. This is convenient, though not necessarily profitable for the farmer, and the co-operatives have had themselves to enter the trucking business if they are to retain their members. With lorry transport has come a development of the urban curb and pitch market, comparatively new to America, owned either by public authorities or farmers, or jointly by farmers and buyers. Finally, a number of co-operatives preserve a part of the produce handled either in cans, or more recently, by the processes of quick and deep freezing, in which the North-Western co-operatives have done particularly successful pioneer work.

The last word on the marketing of fruit and vegetables is very far from having been spoken. Many growers in many countries are still unorganised, the taste for fruit and vegetables in the diet is growing and is applauded by nutritionists, new methods of preservation and transport are being invented and perfected and the field is wide open for co-operative development.

## CHAPTER XII

### THE COLLECTIVE FARM

ONE form of co-operation in agriculture has been left to the last, and that is the collective undertaking sometimes called "integral co-operation," because it includes every aspect of the member's life, not merely his life as a worker, a consumer or a saver of money. The most complete example of integral co-operation in agriculture is the *Kvutso*, the community farm of Palestine, the most widespread, the Russian *Kolkhos*;

much less well known but still of considerable interest are the *Ejidors* of Mexico.

The old Russian land system was one of great estates cultivated by semi-serf labourers, who lived in villages, each with a small plot of land and a few animals of their own. Before the revolution and after the liberation of serfs, there had been a slow development of peasant farming, but on nothing like the scale of Western countries. After the revolution the Soviet Union had a difficult decision to take. The peasants wanted the land for themselves, but they had no experience of independent ownership and no knowledge of modern methods, or even of the sort of traditional intensive farming to be found, for example, in Czechoslovakia and parts of Bulgaria. If each man were given his own small holding, he and his family would cultivate it badly, as indeed they did in the period of the "new economic policy" in the nineteen-twenties, by traditional methods, very extravagant of time and labour. They would produce less food than the old landlords and they would eat most of it themselves. Russia would remain a backward peasant country.

But what the leaders of the Soviet Union wanted was a country in which industry balanced agriculture, and standards of living and national power were rapidly raised to the Western level. This meant reducing the number of workers on the land so as to release hands for industry, and at the same time increasing the production of food by increased technical and scientific efficiency. The Soviets experimented with huge State farms, but they were not really efficient. The answer, already indicated by voluntary experiments carried out in the early days of the revolution, was the collective farm and the machine tractor station. The collective farm is generally the old estate, but it is owned collectively by the village which receives title deeds from the State, and is managed by a committee of those who work on it. It sells a certain proportion of its crops to the State at a fixed price, below the market price, and the difference may be regarded as a kind of rent, though it is not so described by Soviet economists. The cropping plan for each farm is laid down yearly by the Soviet authorities working to a national plan, which fixes production targets for each agricultural commodity. These quantities are later broken

down by regions and districts, much as was done with the wartime cropping plans in England and elsewhere. The work of the collective farm is organised by the committee and the farm director whom they appoint. Payment is made on the basis of the labour day, an artificial unit of work which may in fact take a good or bad worker anything from half a day to two days to accomplish. Wages are paid partly in cash, partly in produce. At the end of the year, after all dues have been paid, any surplus is divided among the collective farm members.

At first each farm was equipped with its own tractors and other mechanical implements, but it was soon found that the members had not the necessary skill to use and repair them, that maintenance was inferior and wastage enormous. The State then removed the machinery from the farms and organised machine tractor stations, with proper servicing and repair and a staff of trained drivers. These stations worked for a group of collective farms and were paid in kind.

Produce not delivered to the State or to the machine tractor stations, or sold on contract to sugar factories, may be sold at the market price to consumers' co-operatives, or direct to the individual consumer at pitch markets in the neighbouring towns. Usually the payments in kind to the members are more than they need for household consumption, and are disposed of in this way.

The first intention of the Soviet authorities was that collectivisation should be complete. It was soon found, however, that this did not content the members, who had the tradition, even from the worst days of landlord oppression, of small plots which they could call their own. The homestead plot was reintroduced. It was not to exceed  $2\frac{1}{2}$  acres, and the keeping of livestock was limited. The move was popular, but there were soon complaints that farmers were devoting too much attention to their own plots and livestock, and neglecting the collective fields and herds. Since then there has been a seesaw of emphasis between the economic importance of efficient collective food production and the social value and popularity of partial individualism. A wholly satisfactory balance has not yet been struck.

The collective system has real advantages, of which planning is not the least important. There are signs that it may be



initiated in other countries, especially Yugoslavia. It is well to understand, however, that it is not in itself a solution for the economic problems of overcrowded peasant countries. Mechanisation reduces the number of those who can be supported by agriculture alone, and only in a country with a rapidly increasing industry and virgin land open to settlement, is it possible easily to absorb those whom the machine displaces. The collective farm in the Soviet Union may produce a larger surplus of food for the town than would a primitive peasant farm, but the yield per acre and the yield per man, the output of real wealth, is low compared with that of the efficient small farm in Western Europe. It is probable, therefore, that over the greater part of the agricultural land of the globe, individual farming, with or without some framework of planned cropping, but certainly with well-developed co-operation for credit, supply, processing, marketing and other services, is likely to be the rule for many years to come, and that it will actually produce the largest volume of food for the area cultivated and the labour engaged.

The collective farms of Palestine had a different origin. The Jewish colonists were not a traditional peasantry. They were settlers breaking in a new and difficult country among a hostile, or at least a suspicious, local population. They had more general education than the peasant and much less agricultural experience. They commanded considerable capital from Zionist funds and they often had consciously developed ideals of communal living. It was economic necessity, however, which led, after several failures in individual settlement, to the formation of the first of the Kvutzot in 1908. By the end of 1943 there were 108 such communal villages in Palestine, with a membership of more than 28,000 men and women.

Members are admitted after a period of probation. Once admitted, they cease to have any personal property, or even a right to share in the communal property of the Kvutzot if it is dissolved. Communism is thus much more complete than on the Russian collective farms. Authority rests with the annual general meeting, which delegates responsibility for different phases of the life and work of the community to committees. Though skilled workers are mainly employed on the jobs for which they are fitted, unskilled and domestic work is allotted

to members in rotation. No wages are paid or profits shared. Everything, including any payment received for outside work, is paid into the common fund. Available goods and services are distributed according to need, not in proportion to work done. The members live as well as work communally; meals are served in a common dining-room, and children lodged and educated in a special children's house.

The Kvutzot rely on the central agricultural co-operative agencies of Palestine for their supply of requirements and marketing of produce, and they borrow for development from the National Co-operative Bank. Unlike the Russian Kolkhoses, however, they do not work to any general production plan. They are free to grow what their own experience and resources suggest as suitable, and their selling agencies take the risks of the market when they come to dispose of the produce. It should also be remembered that the Kvutzot only form a part of Jewish agriculture in Palestine. There are also semi-co-operative settlements and villages of independent farmers, who only co-operate for limited purposes.

The Mexican ejido derives, like the kolkhos, from the expropriation of great estates. On many of the great cotton farms on the irrigated land of Laguna, the peasants were little better than serfs, exposed to all the evils of company stores, company currency, credit which ended in debt slavery, miserable housing and lack of health and educational services. In 1936 the government took over nearly a million acres of land for distribution among the peasants. It was faced, however, with the Soviet dilemma. It must secure the peasant against exploitation and it must safeguard the food and fibre supplies of the nation. Not all land was transferred to collectives, but where a group desired this form of undertaking, it was given every encouragement. The ejidos are self-governing, but the people are primitive and largely illiterate, and in fact much supervision and education is supplied by the National Agrarian Commission and the National Bank of Ejido Credit, which is, in fact, as much a technical and social adviser as a bank. The ejido has, however, its committee and elected officers, who are gradually learning their responsibilities. Members are paid wages which differ according to their skill, and include piece rates for certain forms of labour, and they receive a share in

the profits. They do not live communally, but great efforts have been made to improve communal services, water supply, roads, schools, dispensaries, hospitals and meeting halls. The improvement in these communities is said to be something like that noticed in Germany after Raiffeisen had been at work.

A few other experiments in co-operative farming are in progress in other parts of the world. In England the estates of the Land Settlement Association run all their trading services and cropping programmes collectively, but they are not self-governing, nor do the settlers live communally. The corresponding Welsh scheme comes nearer to self-government. Something of the same kind was initiated in the United States as part of the relief programme in the years of depression. It was later abandoned by the government, but some of the colonies carried on voluntarily. There have been similar experiments in Canada and Australia, as well as in European countries.

## CHAPTER XIII

### FISHING AND FORESTRY

THERE are two types of workers who have created co-operative organisations of their own unconnected with any of those already described. These are the fishermen and the foresters.

The deep sea fisheries of the world are carried on mainly by fleets of steam trawlers owned by large private companies. The men who sail in them are paid employees, though their pay may and frequently does include a share in the profits. This is the mechanised and capitalised fishing industry of Britain, parts of North America, and some of the big fishing ports of North-Western Europe. But nearly all inshore fishing, and a good deal of deep sea fishing as well, is still carried on by small men, in economic conditions very like those of the peasant farmer. Indeed, the fishermen have been called the smallholders of the sea. The economic unit is the family boat, in which a father and sons or brothers and cousins may share. There is the same struggle to equip the boat for the fishing season without getting hopelessly into debt, the same problem of selling a perishable product on an uncertain market; there is processing and the introduction of mechanised appliances;

there is the need for insurance and the need to raise living and working conditions.

In Newfoundland, for example, the principal national industry is the cod fishery on the Grand Banks, where the meeting of warm and cold currents in a shallow sea produces that abundant supply of food which the cod love, as well as the fog and ice which sank the *Titanic*. The fisheries open in the spring, and the fisherman, even though he has his own schooner or jackboat, needs paint, tar, timber, nets or lines, above all, salt, sea-clothing and food for his family till he has a catch to sell. He goes for his outfit to the merchant in his port (there is probably only one) and he gets it on credit, since he has no money. Like the peasant before Raiffeisen he does not see the entry in the merchant's books, very likely he could not read it if he did, but he knows very well that he has been made to pay the highest price, a price covering on a generous scale the merchant's risk and the interest on the loan which he has in fact made to his customer. The fisherman catches his cod and his wife and children salt it and dry it in the sun for export to the Mediterranean, the West Indies and South America, where dried codfish is a popular dish. In due course it is sold to the merchant, partly in settlement of the fisherman's debt, partly because there is no other outlet. The merchant, who has sold at the dearest price, now buys at the cheapest. If the fisherman does more than clear his debt, and often he does not, he is not paid in cash. He is invited to lay in winter provisions from the merchant's store at the merchant's price. It is the old story. The fisherman is born in debt, lives in debt and dies in debt. He has other troubles. He baits his lines with small fish, herring or caplin, which should arrive just before the cod. Sometimes they do not. A cold store would enable him to save up bait in good condition so that he could begin fishing the moment the cod arrived on the coast. He catches lobsters as well as cod, and unless he can get them quickly to market they must be canned. Canning plant is not expensive, but the product of inexperienced fishermen working on the smallest scale does not acquire a reputation or fetch a high price. It has been assumed that the fisherman has a boat, but vessels are lost and wear out. Insurance is costly. The fisherman may be a skilled boat builder, but he has to buy

timber or get the right to cut it. He must have tools and paint, sailcloth, ropes and miscellaneous gear before his boat is ready for sea.

Conditions something like these existed at one time in most of the fishing countries of the world. Some might sell their fish fresh or frozen, instead of salted; some might migrate to distant fishing grounds in the summer as the Faroese migrate to Iceland; some might live with all their families aboard their vessels, like the Chinese. But the basic conditions were the same: indebtedness, dependence and shocking poverty.

Co-operation among fishermen exists in most of the maritime countries of Europe—Great Britain, France, Belgium, Germany, Norway, Finland, Denmark, Iceland, Yugoslavia, Spain and Italy, among the river fishermen of Rumania and Bulgaria. It is also well established in the U.S.S.R., in Canada, the United States and several South American countries. It is beginning in India, Ceylon, Hong Kong and Malaya.

In Great Britain the Fisheries Organisation Society has worked for many years with the inshore fishermen, and has established a number of societies supplying nets, gear, paint and sea clothing. Several also market fresh fish, and there is co-operative insurance of fishing vessels. More recently the Scottish Agricultural Organisation Society has begun the organisation of Shetland fisheries, especially for the co-operative ownership of boats.

The point of attack on the fishermen's problems has been different in different countries. In France the first move was to make credit available from the State to local co-operative credit banks, which in turn make loans to their members for the purchase of boats, gear or general requirements. Later, special co-operative stores were set up which supplied the fisherman's needs, including bait. No great progress was made with marketing.

Spain, before the Civil War, had done some remarkable pioneering work in fishermen's co-operation. The organisations were known as *positos maritimos*, a title taken from the communal granaries, from which, in the Middle Ages, loans in kind were made to needy cultivators. The fishermen's *positos* were to be found all round the coasts of Spain, and they were linked in a national federation, the only co-operative federation

of national scope ever set up in Spain. Their principal object was the sale of fish, either fresh or cured, direct to the consumer, or with the fewest possible intermediaries. Their second function was the supply of fishery and sometimes also domestic requirements. No credit trading was permitted, but credit societies also existed from which loans could be obtained. There was some co-operative ownership of boats, but the older family boats were much more numerous. There was personal insurance against sickness, injury and death for the fisherman, and a very considerable development of social services—Fishermen's Houses, which served as clubs and as educational and recreational centres, medical aid, schools for children, pensions and homes for the aged.

Italian fishermen's co-operation was also fairly well developed, with a good deal of backing from the government, which introduced the compulsory insurance of fishing boats, thus insuring adequate funds and spreading risk as widely as possible, and established public fish auctions under proper supervision. Some of the best of these were operated by fishermen's co-operatives.

All the Scandinavian countries have well organised fishermen's co-operatives dealing with most aspects of the industry. Norway has a national organisation for the processing and sale of herring. In Iceland the farmers' co-operative supply and consumers' movement admitted fishermen at an early stage and began to cater for their needs, supplying fishing gear, running bait stores and curing and marketing fish. Iceland pioneered the co-operative ownership of fishing boats. These are usually the 10-ton motor boat, of which a number will be jointly owned by a co-operative based on a single port. In other cases a 50-ton steam trawler may be owned co-operatively by the crew. Sometimes their wives and grown-up children are also shareholders, since it is they who cure the fish when it is landed. In Iceland, the export of cured fish, the principal output of the island, has for a number of years been regulated by an Export Union which is a voluntary, not a State, body, and represents both co-operative and private curers and exporters.

In the U.S.S.R. much of the fishing is in rivers and lakes, though sea fisheries also exist. Fishermen are organised in workers' artels, similar in structure to collective farms or to



the co-operatively organised light industries. Boats, nets and gear are not owned by the fishermen, but are in the hands of Motor Fishing Stations corresponding to the Machine Tractor Stations in agriculture. The fishermen have fishing rights over a stretch of river, or work in the open sea. They are organised for purposes of work into "brigades," as on the collective farm, and each brigade has its own fishing station, dormitory and clubroom, with its quota of hired boats and gear. The collective is managed by an elected committee. Payment is made in kind for the use of boats and gear and part of the catch passes to the State at a fixed low price. The remainder is distributed among the members or sold at a higher rate either to the State or on local markets. The State runs factories for curing, preserving, extraction of caviare, etc., but the greater part of the catch is sold fresh in Soviet towns.

On the Arctic coast, where there is a primitive population of fishermen and trappers accustomed to live by barter, the Soviet authorities organised societies to receive supplies and outfit on loan, to be paid back later in fish and fur. The intention was to transfer gradually to a cash basis. Though these societies had the usual democratic form of co-operative societies, they were inevitably subject to much more supervision than would have been appropriate in the independent fishing communities of Britain or Scandinavia, and the presidency of a society would often be undertaken by the local State-appointed doctor.

Canada has two seaboards and a considerable lake fishery. The Pacific fishermen's co-operatives have specialised in canned salmon, the Manitoba lake fisheries in fresh and frozen fish for the Canadian and United States markets. The most interesting developments, however, have been in the Maritime Provinces, especially Nova Scotia. This movement has two parents, a Canadian Royal Commission of 1929, which resulted in the formation of the United Maritime Fishermen, with a limited State grant to cover initial expenses, and the St. Francis Xavier University at Antigonish, which from about 1930 embarked on a remarkable campaign of adult education leading to co-operative action. For some thirty years the University had been aware of a surrounding countryside in which poverty, the abandonment of farms and fisheries,

and the draining away of population to Western Canada and the United States, were steadily destroying social vitality. The University set to work with the study club, a group usually of some ten adults without previous training, enlisted as the result of a village mass meeting and placed under local, untrained leadership. Books and other materials were supplied. The subject chosen was something of immediate, generally economic interest to the members, which would lead ultimately to action, if possible on co-operative lines. Action, however, was never hurried. The theory was first to be assimilated. Most of the fishermen's societies began with the canning of lobsters or with the sale of fresh lobsters in shell on the Boston market. Most societies further developed the co-operative supply of requirements, especially petrol. Some built schooners to carry the catch to market. The whole movement was greatly assisted by the establishment of the United Maritime Fishermen, which undertook the sale of all non-perishable produce on commission, and acted as a wholesale society for the supply of requirements. Side by side with the trading societies, there are in many parts fishermen's credit unions, prepared to make loans both for "productive" and for "provident" purposes, thus avoiding the confusion in trading and lending which a single society would find it difficult to avoid. Newfoundland has drawn inspiration and technical leadership from Nova Scotia and with the help of the Co-operative Department set up by the Government is making progress on the same lines.

Elsewhere on the American Continent and in Asia, co-operation among fishermen is a more local affair, though the recent movement to take the sale of Hong Kong fish out of the speculative market is on a considerable scale, has the backing of the Government, and promises to combine some of the features of a co-operative and a marketing board, with a considerable element of social welfare on the Spanish model.

Forestry co-operatives are of two kinds. One type consists of owners of forests or woodlands who are often farmers as well as foresters, and whose purpose in forming a co-operative is to secure expert advice in the management of their forests, and in many cases, collective sale of the timber. Sometimes the



co-operative also undertakes processing in its own sawmills; sometimes it supplies forestry requirements. A few co-operatives of this type exist in Great Britain, but the owners are usually fairly large landowners, and they have little contact with other sides of the co-operative movement. Forest owners' co-operatives, including mainly small owners, are numerous in all the Scandinavian countries. A start has been made in the United States and Canada, and societies have existed for a number of years in Japan.

The second type of forestry co-operative is really a workers' productive society. It consists of lumbermen and wood workers organised under their own foreman, who undertake work on contract or, in some cases, buy standing timber, usually in publicly owned forests, and undertake its exploitation. Some of these societies own their own sawmills and light railways and undertake the first stages in manufacture. Others are little more than associations of peasants, who cut and sell firewood during the winter. In the U.S.S.R., the whole wood-working industry, from the felling of the timber to its manufacture into furniture, is linked together in an elaborate federal organisation. The local societies, however, are as a rule only engaged in one stage in the chain of operations. In Bulgaria and Rumania, the other two countries where forestry workers' co-operatives flourish, most of the societies are engaged in the direct exploitation of forests. They are encouraged by the State, which is the principal forest owner, and are able to get loans to cover the cost of equipment, and to pay wages to the members which are afterwards supplemented by a share in the profits.

It is likely that a primitive type of woodcutter's co-operative, without legal form, exists in other countries. Something of the kind is traditional among the charcoal burners of the Atlas mountains in North Africa and probably in some of the forests of Asia. Such associations can be the basis for modern co-operation.

#### CHAPTER XIV

### CO-OPERATIVE SERVICES

So far this book has dealt with co-operative societies engaged in the buying, selling and manufacturing of goods, or in the

handling of money. There are also a number of co-operatives carrying on services of different kinds, social and professional, for the benefit of their members. As towns are usually well supplied with social services by public authorities or in some cases by private enterprise, these co-operative services are generally, though not in all cases, rural, and aim at bringing to a scattered population the facilities which can only be supplied easily and cheaply to a population concentrated in cities. Most of the professional services are definitely agricultural but not all.

Perhaps the most interesting co-operative services are those which deal with health. One of the curses of rural India is malaria, carried by the mosquito, which breeds in tanks and stagnant pools. It is a disease which not only condemns the individual to a short and miserable life, but drags down the community, since it weakens the power of peasants to work their fields and so reduces the food supplies and the slender purchasing power of the villages. Many years ago, anti-malarial co-operatives were started in Indian villages. They supplied quinine to their members (then the only known specific) and their members pledged themselves to take it regularly. They also did what they could to drain stagnant water and cover in wells. Similar societies in India and Ceylon were formed to improve the general hygiene of villages, to improve water supplies and dig latrines.

A much wider provision for health was built up co-operatively in Yugoslavia. The War of 1914-18 brought to the South Slav lands defeat and devastation, famine, the march of armies and the flight of refugee populations. It was followed by epidemics of typhoid, malaria and influenza, and by an appalling increase in tuberculosis. Red Cross Missions from Britain and America gave what service they could, but when the time came for their withdrawal, the rural districts of Yugoslavia, which meant by far the greater part of the country, were almost without health services. The only hospitals were in the few large towns and travel to and maintenance in such hospitals was far beyond the means of the peasants. Doctors also congregated in the towns, where alone they could make a living in private practice. One or two of the younger Serbian doctors, who had worked with the Red Cross Missions, and

who knew village life and the co-operative organisation which already formed part of it, began to consider whether it could not be used to bring at least an elementary medical service into the country. Not the least of their tasks was to persuade the villagers that any action was needed. They were used to ill-health and accepted it as an act of God. The approach which proved successful was economic. If a veterinary surgeon could be brought in to cure a sick horse or cow, they could get on with their ploughing, the seed would be in the ground before the snow fell, and they were reasonably sure of a crop next season. It was a clear gain, and they were ready to contribute to the cost of such a service. But if the farmer himself was laid up with malaria every autumn and spring, the effects on the farm might be just as disastrous. Was it not worth trying to do something about it?

The argument worked. Villagers were persuaded to get together to form health societies. Usually two or three villages joined, bringing in a population of five or six thousand. The first task was to find a dispensary and living quarters for a doctor. Sometimes an empty peasant house could be used; but before long the villagers would come with picks and bullock carts, and by voluntary labour build their Health House of home-dried bricks and home-cut timber. The next step was to invite a young doctor to inhabit it. Each member of the society undertook to pay a small monthly contribution for himself and his family. This provided a salary for the doctor, which did not depend on the number of patients treated, and left something over for drugs and dressings and the upkeep of the house. Surgical and other equipment would be obtained on loan without interest from the Ministry of Health.

The first duty of the doctor was the same as that of a panel doctor in England, to provide free consultation for the members. He rendered the same service to their families. For operations, confinements, visits to the patient's house, the supply of drugs, he would charge a small fee, which went into the funds of the society. In the second place, the doctor would act as public Health Officer. He would not have compulsory powers. He would have to educate and persuade till the members were prepared once more to bring their spades and bullock carts, dig wells, lay pipes, remove sewage and manure

heaps from the neighbourhood of drinking water, and drain the marshes where the mosquito bred. In some of the most malarial districts in Macedonia, the health societies would be responsible for spraying ponds with petrol to destroy the mosquito larvæ, or of introducing the type of minnow which obligingly preys upon them. If vaccination or inoculation was required, it was for the Health Society doctor to explain and carry out the process. Finally, he was expected to initiate health education, collecting the women and girls for talks on simple physiology, home nursing and the care of children, and the boys for classes in poultry and rabbit-keeping, which might lead to improvement in the poor and monotonous diet of the villages.

The movement was a brilliant success. Health Houses sprang up throughout Serbia and spread into the other Yugoslav provinces. They were copied in Bulgaria and elsewhere. The staff of doctors increased. Often a husband and wife would share the practice. Limited hospital accommodation and simple lecture halls would be added. Doctors still had to contend with much prejudice, ignorance and apathy, with old wives' remedies and patients brought in by bullock cart at the point of death, when an earlier consultation might have saved their lives. But the co-operatives had created a rural health service in a country too poor to pay for an efficient service out of the national budget. More than that, they had succeeded in interesting the people in their own health and in securing that co-operation in the general, not the special sense, without which the advice of doctors and the regulations of ministries are of little avail.

At first sight nothing would seem more dissimilar than the health conditions of rural Yugoslavia and of the modern thrusting cities of the United States. But if Yugoslavia is too poor to have a comprehensive national health service, the United States is too rich and too much attached to the principles of private enterprise. There are, it is true, public hospitals as well as private, but in general the cost of illness is high, and it falls exclusively upon the individual. The system of paying a doctor to look after a community, to keep his patients well by periodical examination and advice, rather than to cure them when they were sick, was not unknown as a spontaneous local arrangement in some of the smaller American towns. The move towards something more elaborate and systematic came



first, as in Yugoslavia, from the doctors, or at least from some doctors, for the profession as a whole was far from friendly to the experiment. The Co-operative Community Hospital at Elk City, Oklahoma, was not only a success, but attracted widespread interest and proposals for similar enterprises among American co-operators, in the years immediately before the Second World War.

A more widespread and perhaps equally interesting co-operative service is the supply of electricity to rural areas. In Czechoslovakia in the early years of the present century some of the local agricultural co-operatives owned water mills, beside which they were enterprising enough to install a small electric generating plant. A number of these sprang up along the River Morava, from which Moravia takes its name. The principal object might be to supply power to a co-operative creamery, but before long supplies were extended to the lighting of villages and the running of farm machinery. One such society gradually extended its operations till it was supplying thirty-two villages, two sugar factories, four railway stations, two flour mills, a malthouse, a sawmill, four co-operative dairies and a group of co-operative threshing societies. Parts of Czechoslovakia became, many years ago, the best lit rural areas in Europe.

As the movement spread, it was found to be unnecessary and sometimes impossible for the co-operative society in all cases to own its own generating plant. A group of village co-operative societies might enter into partnership with the municipal authorities of a neighbouring town to form a public utility company. They might even buy current from a private source, such as a colliery company. The purpose of the co-operative is to extend the use of electricity into country districts which it would not pay a private company to supply. The co-operative raises its share capital from those who wish to buy current either for domestic, agricultural or industrial purposes, and in part reinvests this capital with the public utility company to cover the cost of construction, low tension lines and transformers. The co-operative society itself usually supplies household equipment and appliances to its members. The price of current is uniform for each category of consumer, no matter where he lives, within the area served. Each member

of a society is pledged to a minimum annual consumption, but membership of the society is voluntary. The Czech Central Union of Agricultural Co-operatives has a subsidiary company, which acts as agent for all electrical supplies and appliances for distribution to local societies. The Central Union also carried on educational propaganda for the use of electricity, and finds its best allies among the farm women, to whom electricity comes as a liberation from domestic semi-darkness and drudgery, and who are consequently ready to persuade their husbands of the advantages of an electric thresher or turnip cutter and electric light in the milking shed. The State does a good deal to assist the co-operative electrification of the country by grants and loans at a low rate of interest to meet the heavy capital costs, but the pioneering was unaided co-operation.

Co-operative electricity societies on much the same general lines exist in many countries, notably in Germany, France, Northern Sweden and in the United States. In the two latter countries at least credits are given directly by the State, and in America a special department, the Rural Electrification Administration, exists to facilitate development. Nearly half the farms in the country are now electrified, and electric co-operatives in 1945 were serving just under a million farms, about one-third of all the electrified farms in the United States, in addition to several hundred thousand other rural consumers, non-farm households, schools, churches and rural industries. It was hoped to double these numbers in three years' time.

The co-operative use of agricultural machinery was for many years to prove a difficult undertaking. Large farmers could find full use for a machine on their own land. Small farmers tended to use little machinery. The main piece of heavy machinery which has been in use for a long period among small farmers in Europe, is the thresher, and this has been co-operatively owned and managed in a number of countries. The difficulty with other machines has always been that their use is seasonal, that all farmers want them at the same time and that if a machine is simply lent round from one farm to another, it will be handled with varying degrees of care, and breakage will not always be reported. Hence delays, complaints and recriminations.

The solution was indicated some time ago by the Machine Tractor Stations of the Soviet Union, which undertook cultivation and harvesting on behalf of the collective farms. These stations owned a sufficient number and variety of machines, and had a sufficiently all-the-year-round programme of operations to maintain an efficient staff of drivers and mechanics. Most of the difficulties about turns, handling and breakages thereupon disappeared. The same experience was gained by the County War Agricultural Executive Committees in England in 1939-46, which made available pools of machinery serviced by skilled drivers and mechanics, to the farmers of the county. This was not necessarily co-operative; indeed, private machinery contractors were frequently hired, at fixed rates, but it was a remarkable example of the planned use of machinery for the benefit of the community, and has spread the idea of co-operative machinery management among English farmers.

One of the most disastrous effects of the 1939-45 War on European agriculture was the destruction of livestock. Pigs are quick-breeding animals, and herds can be fairly rapidly renewed as soon as feeding stuffs are available. But draft animals, cattle and horses, of which in some countries half the number had been destroyed during the War, are slow-breeding, slow-maturing animals, which take many years to replace. Yet upon them depends not only meat and fat supplies, but the cultivation of the fields which are to supply bread, pulses and potatoes, the staple articles of diet. In order to get land cultivated and a crop in the ground in the first few years after the War, it was necessary to speed up considerably the process of gradual mechanisation which was going on in the countries of small family farms. Tractors and related implements, ploughs, drills, harrows, reapers, were brought in by the national governments or by U.N.R.R.A., and used on a co-operative basis. Even in European countries where farms are smallest and may consist of a number of scattered patches of land it has still proved possible to use heavy machinery, since there are no fences, and tractors can be driven straight across the lands of a whole village, at least in the autumn, when all the land is bare of crops. The spaces left for spring cultivation are harder to deal with, since they may be surrounded by

growing crops. These machinery co-operatives are likely to become permanent and to perfect their organisation and equipment as time passes. At present, however, machinery firms prefer to think in terms of the individual farm, and have given little attention to co-operative needs. Nor has any farmers' co-operative movement so far attempted the manufacture of the larger types of farm machinery, though a beginning is being made in the United States.

Co-operative stockbreeding is older than co-operative machinery. It is a simple form of co-operation and sometimes the most effective introduction of the idea to primitive communities. Many villages suffer from poor quality of livestock, sickly or unproductive or unthrifty, due to the indiscriminate use of inferior bulls, boars or rams. If peasants can be persuaded to send their own unsuitable animals to the butcher and join together to purchase and maintain one or two animals of really good quality and known pedigree, then the whole standard of livestock may be raised within a comparatively short space of time. Such animals are often produced in the breeding stations of the State or the agricultural schools and experimental farms. But it is not enough if they are merely sold to the largest or most enterprising farmer in the village. A better solution is the co-operative society owning the animals, building a stable for them (often by voluntary labour) and appointing one of their number to feed and care for them. The service fees are divided between the man in charge and the society, which uses them to write off the original cost of the animals.

A further development of the stockbreeding co-operative is the co-operative for artificial insemination. This method enables a considerably larger number of calves to be bred from a single bull of superior quality than would be possible by means of natural mating. It makes for the more economical use of really high quality animals and for the more rapid spread of good blood in the herds of small farmers. Co-operative societies for the purpose exist in England, Denmark, the United States and in several of the European countries which are building up their livestock after the disasters of war.

Control of water supply, drainage and irrigation was mentioned at the beginning of this book as a subject for co-operative action in agricultural countries. Most of this is very

old. There were elaborate systems of irrigation in Mesopotamia and Egypt, and elaborate drainage systems in mediæval Holland, when the Dutch began to win back their waterlogged country from the sea. Such associations are co-operative in fact and it is well to remember them, but they have little connection with the modern co-operative movement.

Peasant holdings are frequently broken into a number of isolated patches of land, scattered over a parish, a result of the custom of dividing land, on the death of the owner, among all his children, and of giving dowries of land with daughters as they marry. The system is bad for agriculture, and attempts are often made, by co-operation, to secure a consolidation of these fragmented holdings in order that each man may have his land in one, or at most two, workable plots. Considerable progress has been made in some parts of India, France, Greece and other countries.

Co-operative transport exists locally, especially in isolated communities, and takes various forms such as co-operative bus services and ferries (Ceylon, Finland), co-operative taxis (Palestine), co-operative lorries carrying produce to market (England and the United States). They may be consumers' co-operatives, owned by the users or, more often, workers' societies with drivers and crews as members. In the field of co-operative communications may also be included co-operative telephone services, of which some exist in the remoter parts of the United States and Canada. Co-operative weigh-bridges help the farmer to know the value of the stock he takes to market.

A project which has hitherto been confined to America, but may in future spread elsewhere, is the co-operative cold storage locker. It is a cold store situated in the town which is the marketing or shopping centre for a farming district. It is divided into lockers, each of which is rented by a farm family, members of the co-operative. When the family bring in a pig or a bullock for slaughter, they can of course sell it to the butcher and buy meat during the ensuing weeks; they can if they prefer (and it will generally be an economy) have the meat jointed and deposited in the locker, from which they can remove, week by week, such quantities as they require for home use. A summer glut of butter or fruit can be saved in the same way.

Community canning centres, which did valuable work in preserving fruit and vegetables in English villages during the War, are examples of the same idea. They are not to be found in economically advanced communities alone. In Bulgaria some years ago it was not uncommon to find a small canning plant at the local general purposes co-operative. Members brought in their surplus fruit in summer. It was canned and stored. In winter they could either have it back for the nominal price of the can or it could be sold to others in the consumers' store, the supplier getting the price of the fruit.

References to co-operative housing have been scattered through this book. English Co-operative Building Societies of the kind which exist partly to receive small investments, partly to make loans in order that people of small means may buy houses, have been described among urban credit co-operatives. Building societies of the French type, consisting of skilled workmen who are prepared to undertake building contracts, have been mentioned among the workers' productive societies. The co-operative garden city of Freidorf is an enterprise of the Swiss co-operative consumers' movement. There is, however, a type of co-operative housing society in which people who want houses form a society, buy materials, and either build the houses themselves or hire builders for that purpose, and afterwards live in them themselves. The simplest type of such a society might be seen in some Balkan countries, where the inhabitants had decided to pull down old and ill-equipped houses and rebuild the village from end to end. This would be done entirely by voluntary labour, and most of the materials—mud bricks, wood and thatch or tiles—would be locally made. A start would be made with one house, which would be completely rebuilt by co-operative labour before the next was tackled. After the First World War, ex-servicemen and unemployed officials in Austria and parts of Germany, built themselves houses in somewhat the same way, though as a rule only the materials were co-operatively purchased and the work was individual. More often, and for schemes on a larger scale, the actual building of flats and groups of houses was done by professionals on contract, but responsibility for design, finance and subsequent management was in the hands of a co-operative society of the people for whom the houses



were built. Much of residential Warsaw was rebuilt in this way after its first destruction in 1914-18. It was the principal means of housing the new middle class of civil servants and professional people which grew up in all the liberated countries of Central and Eastern Europe after the first defeat of Germany.

A last example of co-operation which seems to have no place in any other chapter, is the school co-operative, by which school children provide themselves with exercise books and pencils, and University students with textbooks, through miniature co-operatives run on the lines of an orthodox consumers' society. They save pennies and are said to give a valuable training in co-operative methods, in the way to run committees, and in elementary economics. An interesting extension of co-operation among University students is the mutual guarantee of loans for University education by groups of students in Sweden which enable the participants to secure an advance from a bank.

## CHAPTER XV

### CO-OPERATIVE INTEGRATION

So far the co-operative movement has been described analytically, function by function. This rather ignores the integrated, interlocking and interacting character of the movement, which gives it so much of its character and vitality.

In the first place, there is hardly any group of co-operative undertakings which is without its own national centre. Most have more than one, a representative body, advisory, propagandist, educational, a trading centre, or "wholesale," engaged in supplying the needs of the members or selling their produce, a financial centre which may or may not use the actual name of bank. Functions are not always allocated in the same way. The essential function of auditing the accounts of affiliated societies, by which, more than anything else, a young movement safeguards its own business integrity, may be the function of a special organisation, as in Central Europe, or of a department of the Wholesale Society, as in England. The functions of wholesale and union may be combined, as in Sweden and elsewhere, or those of wholesale and bank, as in England.

Until recently it was unusual to find a single central organ or set of central organs, acting for all co-operative institutions in the same country. The cleavage was between the agricultural and industrial groups, which was roughly, but only roughly, a division between producer and consumer. Often the industrial producers ("workers' productive societies") had their own central organisations, though they tended to have more links with the industrial consumers than with the agricultural producers. In a few countries, where the consumers' movement was almost wholly rural, there was no separation. In a sense this was true of the Soviet Union where, however, no urban consumers' movement existed for many years. In a rather larger number of countries there was some formal link, some national confederation or inter-co-operative committee, which brought the two sides together for the discussion of their mutual relations or questions of national policy affecting both. The vitality of these links varied from country to country. Since the Second World War there has been a tendency in countries under Soviet influence to effect a compulsory amalgamation of rural and urban movements under a single national headquarters. This has certain obvious attractions and may succeed where it is spontaneous, but it is not certain whether, in countries where both movements are strong, it is really practical or based on clear thinking.

The principle which unites co-operators of all categories is the method by which they seek to conduct economic activity, a method which aims at complete equality and the elimination of competition and individual profit-seeking *within the group*. But the object of this activity is really and profoundly different in the case of a consumers' and a producers' organisation. The consumer is seeking to supply himself with the best goods with the greatest economy of production. It is not a primary object but rather a matter of conscience, and co-operators are generally conscientious, that the price should be fair to the producer and that, in general, the manner of work of the producer, as well as the reward he receives for it, should provide him with a satisfying way of life. The producer, on the other hand, is seeking to make a living in the place and with the resources of land, raw materials and skill at his disposal. He is not, except as a matter of conscience, interested

in the price which the consumer has to pay, or even (and this is more fundamental) whether the consumer is getting the type of goods he most wants to receive, provided he does not refuse to take them altogether. The movements are, in fact, built on two distinct, though not irreconcilable principles—the satisfaction of human needs as the mainspring and purpose of economic activity, and the recognition that among human needs is the need to carry on useful work chosen by the worker, to enjoy self-government in work, and to be rewarded for the work when it is done. Hence springs a real difference of outlook and at one, though not the deepest level, a real conflict of interest. It is doubtful if this can be more than glossed over by a simple amalgamation of the central organisations of the two movements. Unless both together are subject to some rigorous form of State planning, which leaves them little initiative or bargaining power, the amalgamation is likely to achieve little more than could have been achieved by a joint committee which was frankly a bridge between two fully self-governing bodies.

Though there would seem to be a good deal to be said on economic and organisational grounds, for allowing each movement to develop its own federal structure, there is less to be said for the affiliation of these co-operative federations to conflicting political parties, with the result that the co-operative principle which should unify producer and consumer is less potent than the largely extraneous political principles which divide. The motives which led the British consumers' movement into politics have been described and are eminently understandable, but they have raised a barrier to full collaboration with the neutral agricultural movement. In countries like Czechoslovakia, where the consumers' movement was Social-Democrat, and the producers' Agrarian, political suspicion was mutual.

In spite of all this, co-operative producer-consumer collaboration was fairly extensive. A substantial proportion of the produce co-operatively marketed by farmers found its way to the counters of consumers' stores, though it sometimes travelled at some stage through commercial channels. Within single countries, or between countries closely linked, as New Zealand or Denmark with Britain, there were direct trade and

sometimes joint trading organisations with elaborate methods of fixing prices and distributing surplus. Sales in the other direction, of agricultural or domestic supplies by the consumers' to the producers' organisation, are less common outside Britain, though the Swedes did well on joint supply of fodder and fertilisers. No pooling of finances has taken place on any scale, though the C.W.S. has used its massive resources, on occasion, to make advance payments to agricultural producers, and for some years financed the pooled wheat crop of two of the Australian states. A more widespread investment of the funds, often ample, of the consumers' movement in agriculture is made difficult by the need for liquidity. Few agricultural investments can be withdrawn quickly without disaster, and most of the investments of consumers are on deposit at call. Also, the most substantial resources and the greatest thirst for credit are not as a rule within the same national boundaries, while international lending by private institutions has for many years been increasingly hedged about with difficulties and restrictions.

In the international field co-operative integration has proceeded along several lines. Joint buying through the Scandinavian Wholesale has already been mentioned, and an International Co-operative Wholesale Agency, with a considerably larger group of affiliated countries, was set up shortly before the War of 1939-45, although it had in fact little chance to become active. Another partial group of Northern countries set up an agency to handle farm supplies in Rotterdam.

International organisation for mutual information, policy-making and the expression of co-operative views, has been of much longer standing and on a larger scale. The International Co-operative Alliance, which held its first Conference in 1895, was a long-cherished project of the English and French co-operators, especially Greening, Vansittart Neale and Emile de Boyve. Much of the practical work of promotion, with all that it entailed in continental journeys and consultations, was the contribution of Henry Wolff, the pioneer writer on credit and agricultural co-operation. Since its foundation the Alliance has met in Congress every three years, interrupted only by the two Wars, which none the less never broke the unity of the organisation. It includes as members all the great national

consumers' federations and a fair number of those which are wholly or mainly agricultural. The congresses, which were held on each occasion in a different European capital, were valuable for the contacts established, the views and experiences exchanged, and the opportunity given to formulate co-operative policy and to make the views of the co-operative movement known in wider circles. Congress was accompanied by meetings of sectional bodies like the International Committees on Banking, Insurance and Wholesale Trading, and the International Co-operative Women's Guild and, for many years, by an international summer school which was also held in the years between congresses. Co-operative exhibitions, which made known the range and quality of the movement's products and services, often accompanied congresses. The Alliance has published for many years a monthly bulletin in English, French and German; it maintains its own secretariat and research department, issuing statistical and other material.

It is through the International Co-operative Alliance that the consumers' co-operative movement approached international inter-governmental bodies like the League of Nations and the International Labour Office and was represented by observers at meetings, or on semi-official committees such as the International Committee for Inter-Co-operative Relations, initiated by Albert Thomas, when he was Secretary-General of the I.L.O., which met regularly up till the outbreak of War in 1939.

The Alliance has been of great value as a means towards that sharing of knowledge and the results of experience which is characteristic of co-operation and distinguishes it sharply from competitive business. All co-operative movements have learnt from one another and new ideas have been fruitful over a wide field. But the Alliance has done more, for it has focused the idealism of the movement and has enabled it to speak in the international theatre with one voice, clearly, consistently, and with the unique authority of 45 million members.

The International Co-operative Alliance originally included all the existing agricultural co-operative organisations. In 1904, however, a cleavage developed between the agricultural organisations which were prepared to accept State aid, principally in the form of credits, and the consumers' and urban

credit organisations which were firm for independence and self-help. The agriculturists withdrew and formed an international of their own, which did not survive the 1914-18 War. Another body, the International Commission (later changed to "Confederation") of Agriculture, had been set up at the Universal Exhibition in Paris in 1889, and had always included among its members a number of agricultural co-operative federations. In 1929 this Federation formed a special Co-operative Commission within the framework of the larger body. This too held periodical conferences working to secure uniformity, both in the legal position of co-operation in all countries, and in the presentation of co-operative statistics, to promote trade between co-operative organisations and to foster co-operative education. Its work was suspended, with that of the International Confederation of Agriculture, during the Second World War.

In the spring of 1946 a second international body representing agriculture, the International Federation of Agricultural Producers, came into being in London. It was mainly British and Overseas in inspiration, as the Confederation was mainly Continental European. Judging by its opening conference, it would seem to be directed mainly to expressing the opinions of agriculturists on current political and economic questions, with a view to action, rather than in providing a forum for general professional and technical discussion. It includes powerful producers' co-operative organisations, both European and overseas, among its members, and it seems likely that it may speak for agricultural co-operation to such bodies as the Food and Agriculture Organisation, especially where the topic is the marketing of agricultural commodities.

It will be seen that there is no single organisation which can claim to represent the co-operative movement of the world, and not many which represent all aspects of co-operation in a single country. None the less, the sense of community within the movement is strong. It extends across national frontiers and the less obvious but sometimes deeper gulf between socialist worker and land-owning peasant. It is based on a common ethical view of economics, compounded of personal responsibility with the renunciation of personal gain. It makes for a certain genial family atmosphere wherever



co-operators meet, and for a peculiar willingness to share information and experience and to face reasonably and constructively the many difficult problems in the relations of town and country, producer and consumer, and between local and national, national and international organisation, which still remain to be solved before a completely integrated co-operative economy can be achieved.

## CHAPTER XVI

CO-OPERATION, THE STATE AND  
THE COMMUNITY

THE co-operative movement does not exist in a vacuum. It is part of an ordered society and an ordered State. The State impinges upon it at many points. In tracing the history of the British and German co-operative movements, something has already been said of the value to the co-operative movement of an appropriate legal status. Since the mid-nineteenth century, co-operative laws have been passed in at least 130 states, and together with their amendments, number between 2,000 and 3,000. Many of these laws have been imitated from one another. The earliest type, and a model for many others, was the British Industrial and Provident Societies Act. The German law influenced many other Central European and some overseas countries. French law proceeded by way of special provisions in the Civil Code, and that, too, served as a model for the French Colonies and other Latin countries. The British Indian Acts have been widely adapted to British Colonial territories and to the Netherlands East Indies. Legislation in the United States and in the British Overseas Dominions was devised at about the same time and to meet the same kind of problems. Soviet law has no close connection with that of other countries, and there are a few small nations, such as Denmark and Switzerland, which have either no co-operative law or one of a very rudimentary character.

The law deals with the co-operative society in three aspects. In the first place, it must have a corporate existence which must be officially recorded. It must be made clear what functions it is to perform, how funds are to be subscribed,

whether its members' liability is limited or unlimited, how the society is to be controlled, what records it shall keep and how it shall be federated, amalgamated or dissolved. Nearly all this applies equally to a limited company, but as it is assumed that co-operative societies are formed by people of slight business experience, the tendency is to simplify forms and at the same time provide for greater publicity and control.

In the second place, the co-operative character of the enterprise must be established. This may include a definition of co-operation and a limitation of the use of the title to organisations which come within the definition. In order further to safeguard its application it is usual for the law, or in some cases the model rules attached, to make binding a number of provisions, of which the essential are:

1. Open membership within the society's sphere of operations.
2. Approximately equal contributions to the capital of the undertaking.
3. Equal voice in the affairs of the society.
4. Business to be in principle with members only (this is not everywhere enforced).
5. Distribution of surplus in proportion to business done with the society.

A sixth point, obligation on members to do all their business with the society, is included in some codes. Some go further and include the right of the majority in some particular field of activity (the production, for example, of a particular crop) to compel the minority to become members of the society and do business through it. Some include the obligation to observe political and religious neutrality.

In the third place, if the co-operative movement is regarded as a form of social service deserving well of the State, it may be granted legal and fiscal privileges; national credit may be placed at its disposal, close contact between the movement and government departments may be provided for and a suitable standard of efficiency and social principle maintained.

The result is a very extensive body of legislation, of which one of the most striking features has been the tendency to develop legal provisions and to make statutory customs and

regulations which at first were left to the discretion of the individual society. Methods which were spontaneously devised and found successful are afterwards, though not necessarily in the same country, laid down as legal obligations. Co-operative law, like the co-operative movement, is the product of growth, experience and the flexible mind.

The degree of State patronage and State interference varies with the national theory of the State and also with the character of co-operative membership. In Britain it has always been reduced to a minimum. In Germany, France and certain other European countries, financial assistance by way of cheap credits to the co-operative movement has always been considerable and has nothing to do with socialism or national socialism as generally understood. It is merely part of the paternal theory of the obligations of the State to certain forms of economic life which has long existed in those countries. The small democratic states of North-Western Europe, the co-operative movements like those of Bohemia and Prussian Poland, which grew up under hostile governments, have always claimed independence and refused favours. So have the co-operative movements of the British Dominions and, until fairly recently, the United States. Under the New Deal, however, considerable State funds were made available, through the Farm Credit Administration, to American farmers' co-operatives.

Co-operative movements in undeveloped countries, among people generally illiterate and without business experience, are a special case. The earliest experiment in introducing co-operation to a population of this character was in India. It was decided at once that the movement should not be financially the pensioner of the State, and in British India, though the peasants have never been sufficiently prosperous or thrifty to carry their own movement unaided, borrowings by co-operative banks to meet the demand for credit have been on commercial terms at commercial rates. In some of the Indian states there have been much more liberal advances of public money.

It is on the side of organisation and supervision, however, that State intervention has found a permanent place. Where there are no intelligent, literate and self-confident peasants or

working men to take the lead, no leisured men with a professional training to act as unpaid advisers, some substitute must be found. The substitute is the Registrar of Co-operative Societies (sometimes called the Director of Co-operation) and his staff. In the early years in India, Ceylon, Malaya and some of the African Colonies, this was always an Englishman of senior rank, who trained himself by a study of European co-operation. To-day, however, the whole staff of almost all the Indian provinces and of Ceylon is locally recruited, and the process of transfer is far advanced in Malaya and elsewhere. The duties of the Registrar's Department go far beyond the registration of formations and dissolutions, collection of annual returns, or occasional use of legal power to stop abuses. They include the careful advance planning of co-operative development in relation to existing economic problems and possibilities, the initial stimulation and education necessary before villagers who have never heard of co-operation are ready for an unfamiliar undertaking, the constant guidance of the young society and the steady training of its members in real responsibility, the building up of the necessary higher institutions, central banks, wholesales, marketing agencies. It is work which calls for a broad training in legal, financial and business administration, for a knowledge of the basic economy of the territory involved, together with a sympathetic understanding of the point of view and the limitations of the local population, great patience, and a determination neither to be discouraged by the slowness of the village mind nor hurried by the impatience of a government clamouring for results, nor alarmed by the opposition of trading firms whose interests may be affected.

The building up of a co-operative movement in an undeveloped country has many points of difference from the growth of the movement in advanced societies. It is a gift from outside and yet it is essential that it should be grafted into local life till it becomes part of it. It does not so much offer an alternative and better way of carrying on economic services already performed by other agencies as forecast methods by which a primitive economy may be developed to take its part in the modern world of mechanised production and world-wide trade and finance. Its aim is to do this without

sacrificing the interests of the colonial peasant or passing him through a process of pressure and exploitation such as the European worker and peasant endured before they forged their own defence by co-operative action. In addition, the co-operative movement has to train in democratic responsibility men and women who have little or no conception of political democracy. In so doing it is incidentally performing a valuable service in preparing colonial peoples for wider self-government.

A completely different development which also tends to convert co-operation into a State service has taken place in a number of countries of advanced economic structure. It will have been observed in the chapter on Marketing, in how many countries, especially Britain and the British Overseas Dominions, co-operative action in the marketing of agricultural produce comes first, attains a certain degree of success and is then supplemented or superseded by a national marketing board which may be co-operative in the sense that it is elected by the producers and acts in their interests, but which has ceased to be voluntary and has power both to compel a reluctant minority to market through it and to decide the terms and conditions on which the commodity should be sold, processed and in some cases produced.

Queensland seems to have been the pioneer in this system, which was speedily adopted in other Australian states and later in New Zealand. Canada made a number of attempts to introduce similar legislation, which always broke down on the legal question of provincial and national authority, though this did not hinder national control of certain aspects of the wheat trade. The British Marketing Acts followed in 1930-31, and, except in Scotland, superseded rather than completed existing co-operative organisation. The national grain monopolies of France, Norway and Czechoslovakia, the National Dairy Board of Norway, the Netherlands pig control, all belong to the same order of ideas. Co-operators may wish they had got there first, and the indiscriminate gift of compulsory powers may weaken co-operative responsibility and initiative, but in an increasingly planned world the development is not illogical nor, necessarily, to be regretted.

The consumers' movement until the recent war and out-

side the Soviet Union was immune from this sort of incorporation in national economic planning. During the war consumers' co-operatives in all belligerent countries played their part in carrying on the rationing schemes both for food and clothes and for agricultural supplies. They were not given any position of special privilege or responsibility. It is understood, however, that in some countries where conditions of scarcity continued for some time after the war, and especially in those under Soviet influence, co-operatives have been given the principal if not the sole right to distribute relief supplies, and have thus assumed a specially privileged, but at the same time onerous, rôle in national economy.

Instances in which co-operative societies carry on what are usually public services in the departments of health, communications, water and electricity, have already been described.

The relation of the co-operative movement to the work of the new international bodies, of which the members are national governments, is still indeterminate. It seems obvious, however, that any organisations which are engaged in the planning of international trade and banking and in the development of natural resources through international action, are bound to rely to a considerable extent on co-operative bodies as their primary agents. In so doing they may increase the powers and opportunities of co-operation; they may also restrict its initiative and the freedom of its members. The Food and Agriculture Organisation of the United Nations will probably affect, as it were, the largest surface of the co-operative movement. A World Commodity Control Board, if indeed such an organ is set up, would hardly be workable without the great co-operative producers' marketing associations which handle so much of the wheat, meat, fruit and dairy produce on the world market. It will profoundly affect the conditions of food supply and food purchase as they confront the consumers' movement. The proposals for rehabilitation and development of backward regions, which F.A.O. will from time to time commend to the International Bank, will in large measure fall to regional co-operative societies to put into detailed execution. In a more general way it is hard to see any organisation better placed than the co-operative movement to transmit to the producer on the one hand and the



consumer on the other, that technical and scientific knowledge on soil conservation, plant and animal breeding, health and nutrition, mechanisation, food conservation and human dietetics which it is the aim of the F.A.O. to put into the widest circulation. Even without the disastrous effects of war, many countries are getting dangerously near the limit of their food supplies, while others are not using their resources to the best nutritional advantage. The agricultural co-operative movement has already done much, by education and by providing the necessary materials at low cost, to improve agricultural technique. The consumers' movement has not hitherto taken nutrition seriously, and this is perhaps the field for pioneering most immediately open to it.

It is becoming clear that in the modern world co-operation is not merely or perhaps even essentially in competition with private business. It is an alternative or a partner to or even a competitor with, the socialist or socialising State. This leads to a consideration of what is in fact the future of the co-operative movement and what are its limitations. On the eve of the 1939-45 war, the co-operative movement had a membership of approximately 125,000,000 persons, the majority of whom were the heads of households. It did an annual business approaching £5,000,000,000 in value, of which rather more than half was financial (that is, loans, deposits and insurance) and the rest divided almost equally between consumers and agricultural societies. These are substantial figures, but it is well to note that they cover a particular segment of economic life, agricultural production, and the manufacture and distribution of consumer goods, especially food and clothing. The hold of co-operation on this field has been steadily increasing for many years, and it seems likely that it will continue to increase in the future, that the integration of producer and consumer will be in time completed, and the whole chain of operations, from the raw material on the farm to the finished product in the shop, may pass under co-operative control.

Is co-operation likely to extend far into other fields? Its scope in what are traditionally regarded as public services, such as health and electricity, is probably limited to countries in certain stages of development, but in such countries the

achievements of Yugoslavia and Czechoslovakia may well be repeated. In transport, apart from local services, it seems unlikely that co-operation will ever compete successfully with the State as the inheritor or superseder of private enterprise. The capital invested is too massive, the interests of the community in peace and war too deeply involved to make probable the transfer of railway and steamship lines to co-operative societies of railwaymen or seamen; the connection of the consumer is too irregular and unsystematic to make consumer control appropriate.

The heavy industries, because of their complex and highly capitalised organisation and their links with transport on the one hand and armaments on the other, seem destined for a considerable measure of State control. But this is less certain and there is a considerable borderland which either co-operation or the State may hope to occupy. Co-operation is already well-established in the textile industry. It is entering chemicals by way of fertilisers. It is in engineering and in oil. If, in fact, co-operation pushes further into industry, it seems likely that it will be from the consumers' side, since there alone are available the accumulated capital and managerial experience necessary for running modern, large-scale production. This would include progress on the part of the agricultural movement in the manufacture of those supplies, fertilisers, petroleum products and perhaps later machinery, of which its members are professional consumers. The line of advance would thus be from the consumers' demand back, along the chain of production, to the raw material, and it might include the production of transport and building material, tools and installations required by the co-operative societies themselves in the course of their operations.

The general shape of what a French writer<sup>1</sup> has called "the co-operative sector" of economic life begins to emerge, but it is an indefinite shape, the result of spontaneous growth pushing along the lines of greatest need or least resistance. Significantly this growth took place almost wholly in a world of unplanned private enterprise. But it is almost certain that the world of the future will be a world of planned and in a large measure of socialised economy. It is strange that comparatively

<sup>1</sup> G. Fauquet, *Le Secteur Coopérative*.

little thought seems to have been given to the shape and size of the co-operative sector in this new world, although the urban consumers' co-operative is often closely linked with socialism, and the agricultural movement even more closely concerned with the actual working of statutory controls and marketing schemes.

Agricultural co-operators would seem to have accepted this state of affairs pragmatically, content to make the best use of State credits and compulsory powers without enquiring too closely into the theory that underlies them or perceiving the conflict between such measures and the supposed individualism, economic and political, of the farmer. The urban consumers are in a more difficult position and more conscious of their dilemma. In Britain, in particular, the movement grew up in conditions of free competition and free world trade. It was more than capable of dealing with those conditions, grew, prospered and wrested a substantial proportion of the field from its competitors. Yet the great majority of its members are socialist in outlook. To them the glory of the movement is that it has established an area within which individualism and competition no longer exist, the forerunner of a completely socialised economy.

Co-operative socialism has built up its kingdom slowly over a hundred years. Political socialism may any day establish a rapid empire over other or even the same departments of economic life. To some extent this has already happened. The few coal mines of the co-operative movement have been nationalised along with those of private owners. The Marketing Boards (and this, though a less obvious, was a much more serious challenge) affected the co-operatives' freedom to purchase agricultural commodities on their own terms. Import controls have taken international trade out of co-operative hands and made it increasingly difficult to establish or maintain direct relations between co-operatives of different countries. Rationing has tended to freeze memberships, when it has not zoned members away from their societies in the interests of rational distribution. None of these developments is welcome to co-operators, who take pride in the efficiency, vitality and power of their movement. But if they wish to see the principles of co-operation, economic equality, democratic control,

production for use and not for profit, extended into the fields which co-operation has not penetrated, and into which it shows no sign of early penetration, they must be prepared for a continuation and extension of just these types of public or collective ownership and control.

There is need, then, for a good deal of hard and creative thinking on the future of co-operation in a socialised economy. Are there fields of activity which it is prepared definitely to renounce? Are there others which it has so far failed to occupy completely but would be prepared to accept as a gift from the State? If not, would it prefer or, more accurately, would co-operators regard it as more in the public interest, that free co-operation should find itself as the only permitted alternative to State socialism? That is very nearly the position in Russia, although even there a good deal of unorganised food distribution is allowed. As an alternative, should a fairly wide field, a sort of preserve of private enterprise, be allowed, into which the co-operative movement could penetrate at leisure? Not all these questions are urgent in all countries, but they are everywhere latent. The theorists of co-operation must decide whether they are content to let their movement dissolve in the socialist State (as the urban consumers' movement once dissolved in Russia) or whether they regard it as an economic and social achievement quite as valuable as State socialism, with which it can fruitfully be integrated. Otherwise they are likely, first of all, to find a breach widening between themselves and the practical business men of the movement and, secondly, to discover that they and the business men alike, confront each new development in the political and economic situation without a definite policy. The co-operative movement for a number of years past has been adjusting itself fragmentarily to each new situation, but the pace and pressure of war and revolution have left little opportunity for the revision or re-affirmation of co-operative policy, which can only be made internationally and inter-functionally, on the basis of an appraisal of co-operative economy in relation to world economy more elaborate, searching and statistical than can be attempted here.

The starting point, however, is the case for co-operation as a way of economic life, and from the survey contained in

this book it is possible to detach the leading affirmations. Co-operation has built a system of production, distribution, banking, insurance and sundry services which is directed solely to the benefit of the community and includes no element of individual profit. Within that system there is complete personal equality. It is a voluntary system, created by personal effort, freely given. It is a free system giving scope to the group and the individual to do everything except exploit their fellows. It leaves wide areas of free choice within a planned framework.

The system has proved technically efficient and has beaten private enterprise on its own ground, without the intervention of political power. It is flexible and can interlock with economic life organised on other bases. But, since it is an organic growth, it tends to wilt if it is either rigidly confined or artificially extended. It has proved to be applicable to people of many ways of life and at all stages of economic and educational development.

It provides an unique education in democracy, responsibility and toleration. It did much to train the British working class in the nineteenth century for political power in the twentieth. It seems probable that in the twentieth century it is training the African villager for power in the twenty-first. It has evolved a series of industrial relationships between management and labour, management and committees, committees and members, in which the element of authority is much more delicately distributed than in private business, relationships which deserve fuller study than they have received.

Finally, co-operation gives rise to a number of non-economic satisfactions, including a strong friendly or family spirit and a sense of pride and power which is impersonal and so disinfected. Co-operation, in short, not only plays a large part in the economic machinery of the world, but a large part in the minds, the characters and even the hearts of men and women of many lands, colours and cultures, to whom it is a unifying bond subsisting through great wars and deep political cleavages.

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